Banking Problems that Led to Formulation of the Federal Reserve Act of 1913

An Honors Thesis (ECON 492)

by

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Purpose

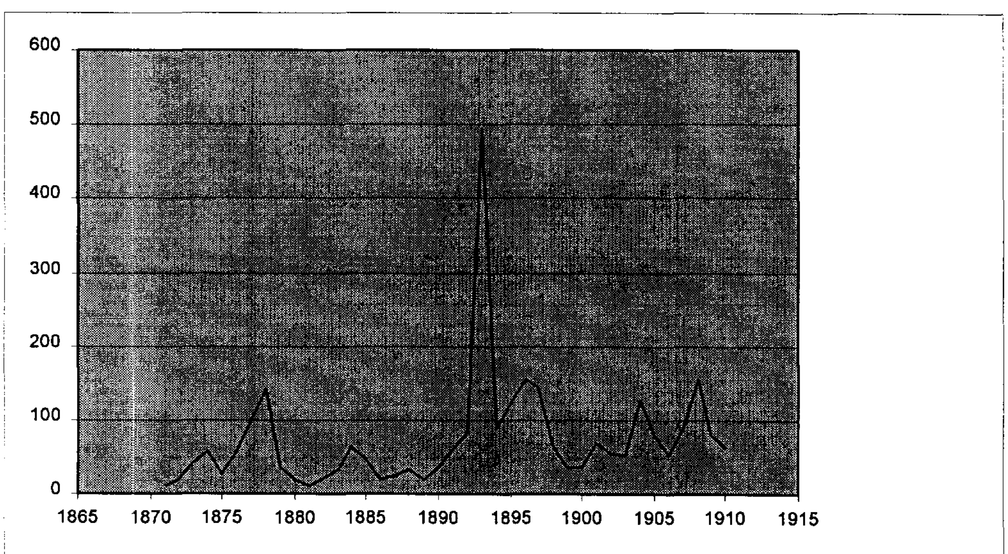
The purpose of this paper is to investigate the events and problems of the banking system that led to the Federal Reserve Act of 1913. The paper examines the history of banking in the United States and identifies some of the more significant factors that persuaded American bankers, politicians, academicians, and others that reform of the banking system was necessary. A discussion of the banking panic of 1907 illustrates some of these factors. Finally, the basic provisions of the Federal Reserve Act of 1913 are presented and discussed.

Introduction

Pre-twentieth century America had a fear of centralized power and a distrust of moneyed interests. This dominated contemporary politics and, consequently, prevented the creation of a central bank which appeared to be the embodiment of those fears. However, the existence of a fractional reserve banking system without a lender of last resort that could provide reserves to the banking system in the event of a banking panic was a serious problem. Nationwide banking panics in the nineteen and early twentieth centuries were frequent (occurring in 1837, 1857, 1873, 1884, 1893, and 1907). The severe panic of 1907 convinced many bankers, politicians, academicians, and others that a central bank was necessary to prevent future banking panics and to bring order to financial markets.

The Federal Reserve Act of 1913 was the product of a long and sometimes bitter political struggle which resulted in a compromise. As many contemporary and modern students of the history of banking in the United States point out, the Act was a response to a troubled banking sector which was characterized by financial panics and general instability of banks. Bank suspensions were a common occurrence and especially numerous after major banking panics as indicated by the following data from the "Historical Statistics of the United States" (pg. 636):

Bank Suspensions: 1871-1910



For instance, the panic of 1893 caused 496 bank suspensions that year and shook the banking system for the next five years.

The provisions of the Federal Reserve Act of 1913 cannot be fully understood without studying the nature of banking prior to the Act, the contemporary problems and issues that were pressing on the various stakeholders, or the banking reform movement of the early 1900s. Consequently, this paper will examine the history and problems of banking in the United States under the National Banking Act of 1864, the banking panic of 1907 and the problems it caused, and the reform process that led to the Federal Reserve Act of 1913.

Literature Review

The history of banking in the United States has generated considerable interest. The following is a selected review that focuses on discussions of banking problems that led directly to the formation of the Federal Reserve.

Bray Hammond conducted a penetrating study of banking in the United States prior to 1865 in "Banks and Politics in America From the Revolution to the Civil War." In this study, he provided an interesting discussion of the American fear of central banks which delayed the banking reform for some time after the weaknesses of the banking system became apparent. He contends that pre-twentieth century America had a fear of centralized power which was evident in the significant influence of Jacksonians, supporters of President Andrew Jackson, who stood behind "the humbly born and rugged individualists who were gaining fortunes by their own toil and sweat, or wits, [who] were still simple Americans..., anti-monopolistic, anti-governmental, but fraught with the spirit of enterprise" (Hammond, pg. 328). They attacked the Bank of the United States because they believed it was a symbol of oppression, tyranny, monied power, aristocracy, wealth, privilege, and monopoly. The attack emphasized the Wall Street businessmen's jealousy of the federal Bank, their dislike of the federal Bank's restraint on bank credit, the Bank's interference with states' rights, the popular identification of the Bank with the aristocracy of business and the agrarian antipathy toward the federal Bank (Hammond, pg. 329). Thus, in 1836, President Jackson, the leader of the Jacksonian trend, allowed the charter of the Second Bank of the United States to expire. "Destruction of the Bank ended federal regulation of bank credit and shifted the money center of the country from Chestnut Street to Wall Street" (Hammond, pg. 329).

The lack of organization within the banking system was one of the most important problems prior to the Federal Reserve Act of 1913. Thibaut de Saint Phalle, in "The Federal Reserve, An Intentional Mystery," described the banking system after the demise of the Second Bank of the United States as being a period of chaos. Thousands of banks were issuing thousands of different types of bank notes, making the methods of payments difficult and inefficient. Phalle pointed out some of the most significant characteristics of the lack of organization. They included scattered reserves over a large area which prevented quick pooling of funds in times of panic, lack of central clearing facilities which hindered a quick transfer of funds, and absence of any lender of last resort.

Pyramiding of reserves was a major problem associated with the lack of organization and was also identified by Phalle. However, Oliver M.W. Sprague provides an interesting and more detailed discussion of this subject in the "History of Crises under the National Banking System." He concluded that allowing banks to keep their reserves on deposit in other banks, perhaps in other cities, caused the banking system to fail in meeting the severe strain of crises. He indicated that the banks were always weaker than they appeared and, therefore, less able to cope with financial difficulties.

Among the most important conclusions drawn by Sprague was his belief that the country was in need of a lender of last resort. He believed that all the banking panics under the national banking system would have been easier to manage if the New York banks were able to increase loans to meet demands of depositors for money. His discussion of the usefulness of clearinghouses supports this belief. After an extensive study of several banking panics during the latter part of the nineteenth century, Sprague concluded that banks' organized effort through clearinghouses made financial crises less severe. He also recognized that such organized effort was not always easy to achieve due to each bank's desire to keep its independence and sovereignty. Thus, in his opinion, creation of a lender of last resort was possible only by imposing a central authority that would induce the interbank cooperation in times of crises as well as oversee the banking structure during normal times.

Another major problem of banking under the national banking system was the problem of an "inelastic supply of currency." In "A Monetary History of the United States," Friedman and Schwartz explain that because of the banks' fractional reserves, any overall attempt by the public to raise its currency holdings would drain bank reserves which in turn would cause banks to contract their outstanding liabilities by a multiple of the loss in reserves. This led to some bank suspensions and threatened a chain reaction resulting in a bank panic. The two authors also explain the contemporary view that the money stock should conform to the needs of trade. The view was that the supply of money should increase during good economic periods in order to facilitate the increased economic activity and should decrease when the economy was not performing so well – it should be elastic. Friedman and Schwartz claim that this view was one of the most dominant considerations during the banking reform process of the early 1900s and is reflected in its incorporation in the Federal Reserve Act of 1913.

As Friedman and Schwartz indicate, the weaknesses of the banking system were recognized in the contemporary banking literature. However, the fear of centralized banking accompanied by various political interpretations of the existing problems delayed banking reform. The dramatic experience of the banking panic of 1907 induced many Americans to put their fears and disagreements aside and create a banking system that would foster and correspond to the country's economic growth and the need for a more stable and cooperative banking environment.

Nature of Banking in the United States Prior to the Federal Reserve Act of 1913

Between 1836 and 1864

The fear of centralized banking that was present in the United States during this period was the motivation behind President Andrew Jackson's decision to allow the charter of the Second Bank of the United States to expire in 1836, eliminating any central authority overseeing the banking structure. By the1860s, the United States banking system consisted of thousands of individual banks each issuing its own notes. The notes varied in value and depended on the financial strength and trustworthiness of the issuing bank. This required some means of clearing the notes of different banks. Some larger banks attempted to facilitate clearing by requiring smaller banks to maintain redemption deposits with them. Banks which chose not to maintain such deposits ran the risk of having all of their notes returned for redemption in specie. This was a powerful force restricting the issue of unsound notes

National Banking System

An important step in banking reform was achieved by the National Banking Act of 1864. The Act was an attempt to organize American banking through the formation of national banks. The provisions of this Act were modeled after those of the New York State Banking Act of 1838 and the Louisiana State Banking Act of 1842.

The underlining principles of the National Banking Act were almost the same as those of the New York State Banking Act of 1838 (Hammond, pg. 562, 727-728). Prior to the New York Act, a special state charter was required for bank organization. As a result, monopoly and special favoritism were widespread, and it was felt that competition would relieve these problems. The act of 1838 provided the State of New York with a banking law embodying the principle of competition, known as *free banking*. The National Banking Act extended the principle of *free banking* to the entire nation. Any group of five or more people who could meet the minimum capital requirements contained in the law were granted federal charters. Generally, applicants had to demonstrate some need for a bank and to posses the proper character and intentions.

The Louisiana law required all banks to separate long- and short- term loans, while the issuance of long-term debt was restricted. Short-term loans, usually ninety-day commercial paper, were not renewable and sanctions were imposed against those who failed to pay their debts or who required extended periods to liquidate their loans. The provisions of the National Banking Act were not as strict as those of the Louisiana Act. However, it did prohibit banks from engaging in certain activities. The real estate investments by banks, for instance, were allowed only for their own needs for banking facilities while all other long-term non-commercial operations were forbidden.

The National Banking Act authorized national banks to issue a new type of bank note secured by United States government bonds. Issuing banks deposited the required amount of government bonds with the Comptroller of the Currency, a new agency created by the Act to oversee national banks. The Act limited the issue of notes by a national bank to its paid-in capital. This provision was intended to prevent banks from using specie to buy state government bonds on margin and then using the bonds to issue notes equal to the par value of the bonds. The newly-issued notes would then be used to complete the payment for bonds purchased on credit. The surplus of note issue could be used to repeat the same process over again. This practice enabled banks to maintain a circulation equal to twenty or thirty times their paid-in specie capital (Hammond, pp. 619-620).

The National Banking Act also attempted to standardize the reserves held against bank deposits by making them uniform with respect to the size and location of the national banks. In most states, reserves were either unregulated or low percentages of total deposits were required. Some banks had so little specie in their reserves that they were unable to meet even the slightest increase in public's demand for currency. With respect to location of a national bank, reserve requirements were highest for banks in New York City and lowest for country banks. Banks outside New York were permitted to count their deposits in other banks as part of their reserves.

Despite the fact that banks were required to have reserves, often the amounts held in bank vaults or on deposit with other banks were not available or sufficient to meet sudden demands without falling below the required reserve minimum. This was the case because banks tended to loan out as much money as they could, thus always being near their minimum reserve ratio (*required reserves/total deposits*). Banks were induced by the profit motive to approach their minimum reserves but were forbidden by law to fall below them. Therefore, knowing that the punishment for violations of reserve requirements could be the closure of the bank by the Comptroller of the Currency, banks were forced to contract credit to gain liquidity (to gain necessary cash for payment to demanding depositors) in times of stringency.

A major criticism of the national banking system was that it did not provide a mechanism for interbank cooperation. The only cooperation between the national banks was through the requirement of the National Banking Act that every non-New York bank designate a redemption agent for its notes (a bank willing to exchange its notes for specie) in New York City or some other large city. This is one of the reasons New York became the primary financial center in the United States, especially because banks in other large cities were required to name their own redemption agents in New York. The requirement lowered the redemption costs to note-holders but it was of very little use in times of crises.

Another important criticism of the National Banking Act was that it did not cover all the existing banks in the United States but only those with national charters. By 1913, the number of state banks was more than twice that of national banks as indicated by the following data from the "Historical Statistics of the United States" (pp. 624, 626, and 630):

Year	No. of national banks	No. of state banks	Total
1913	*7,467*	*19,197*	*26,664*

Note: Number of state banks also includes the private banks because they were not segregated from other banks between 1896 and 1946.

In 1865, Congress attempted to suppress state banks by placing a prohibitive tax on state bank note issues. However, after several years of decline, state banks came to realize that note issues were becoming less important relative to demand deposits as a means of payment. Consequently, state banks continued to occupy an important position in American banking.

Despite its ineffectiveness, the National Banking Act of 1864 determined the nature of banking from 1864 to 1913. Among the most important aspects of the Act are the philosophy of independent unit banks, the type of note issue, and the reserve structure. These aspects composed the core elements of the banking reform discussion in the early 1900s.

Problems of Fractional Reserve Banking Under the National Banking System

The banking problems prior to the Federal Reserve Act of 1913 fall into two categories: (1) problems of organization or lack of it and (2) problems of the inelasticity of note issue. The first problem took many forms including scattered reserves, lack of central check-clearing facilities, and the absence of a lender of last resort. The second problem dealt with the inability of the circulating currency to expand in the event of bank runs.

Organizational Problems

Some organizational features of the National Banking Act prevented smooth operation of the financial system. The national banking system was not really a system at all but rather a loose body of independent banks responsible only to themselves and only for themselves. Such structure prevented any united action among the banks when abnormal conditions prevailed. Therefore, as Thibaut de Saint Phalle points out, excessive individual bank independence played a significant part in the spread of bank panics (pg. 47). In time of panic, each bank scrambled to protect its own liquid position by attempting to collect large amounts of cash in order to resist a run. A run on one bank induced other banks to take a similar defensive approach but the fixed amount of cash in the system necessarily frustrated this effort.

The reserve system written into the National Banking Act was considered defective by many. A pyramiding of reserves was caused by allowing banks to deposit a share of their reserve requirements with banks in major cities but could still list those deposits as reserves. Furthermore, the banks in major cities deposited a share of their reserves with major banks in

New York City. Consequently, the actual level of available reserves was much lower than what it was nominally required. The system was always weaker than it appeared and less able to meet any increase in demand for hand-to-hand currency relative to demand deposits.

Some New York banks, in order to increase their share of interbank deposits, paid interest on demand deposits. This practice appeared to be a source of trouble since reserve deposits became concentrated in a few banks (Sprague, pp. 20-24). As Sprague points out, such banks "were directly responsible for any disturbance in the New York money market, which was due to the use of these funds, and also for any failure to meet demands for their return to banks in the rest of the country" (pg. 20). The banks engaged in this practice were obliged to lend out the money to obtain a return with which to pay the interest. They saw profit opportunities due to return rates exceeding the interest charge they were required to pay to attract deposits and, therefore, profited on the margin between the two rates. The demand deposits obtained in this manner were generally loaned on the stock exchange in the form of call loans. These loans were presumed to be almost perfectly liquid since the funds were available on call.

Often, after a period of stability, banks approached their minimum reserve requirements as they attempted to maximize profits. Because of reserve pyramiding and individual bank isolation during a crisis it became impossible for banks to redeem a large amount of deposits without some credit contraction. This led to two separate problems: (1) a stringency placed on country banks affected all banks because of the fractional reserve system and (2) stringencies tended to snowball since no effective means of interbank cooperation existed. When country banks called deposits from their correspondent banks in cities other than New York, those banks were often forced to call deposits from New York. Banks subject to calls were forced to restrict credit if they lacked free reserves. They were reluctant to go below their minimum required reserves to meet this sudden demand because of the legal sanctions which might be imposed by the Comptroller of Currency. Unless the circumstances were very severe, banks usually did not violate their reserve requirements. Thus, the only recourse was a credit contraction. The second problem deals with the lack of cooperative arrangement through which strong banks could come to the aid of weaker banks, therefore, stopping the scramble for cash. The reserves were too scattered to be of general use. Instead, in most cases, the panic spread from weaker to stronger banks as the distrust of banks was propagating. Because of the development of clearinghouses, however, things were not quite as bad as they might have been. In both 1873 and 1907, it is probable that the crises would have been worse had not New York banks come to one another's aid. The clearinghouses allowed some cooperation during panics and, therefore, convinced many people that more cooperation would improve the operation of the financial sector.

The typical operations of clearinghouses were to clear checks and drafts and transact other interbank business. However, during crises they took on added importance. In times of stringency, they issued clearinghouse loan certificates based on the assets of member institutions which were used in place of currency in interbank clearings. Thus, bank reserves were increased by the amount of lawful money (gold coins and certificates and silver coins and certificates) ordinarily tied up in clearing procedures. While the loan certificates could not be counted as required reserves, they freed cash by serving as a substitute in interbank payments (Sprague, pp. 45-53).

During the panics of 1873 and 1907, New York banks pooled their reserves to meet the demand for currency. In 1873, they did so by forming the New York Clearing House (on

September 20, 1873) which issued clearinghouse loan certificates. In later years, banks were reluctant to cooperate and they failed to do so in both 1884 and 1893. Pooling, however, was accomplished again in 1907 because of the pressure exerted on New York bankers by J.P. Morgan, the embodiment of financial power and one of the strongest financiers of the era. The cooperative actions during panics as well as the occasional reluctance with which banks engaged in them impressed many people and, consequently, influenced later banking legislation. Accompanied by the lack of central check-clearing facilities which hindered the quick transfer of funds among banks in different parts of the country, these events emphasized the need for a central authority to oversee and regulate banking activities.

Fractional Reserves

The second major problem with the banking system prior to 1913 was an inelastic supply of currency or, as Friedman and Schwartz explain, the absence of effective convertibility between currency and deposits (pg. 168). Hand-to-hand currency was composed of national bank notes, U.S. Treasury Notes, gold coins and certificates, silver coin and certificates, and other subsidiary currency. The amount of silver currency, both coin and certificates, was fixed as were U.S. Treasury Notes. Gold coin and certificates were allowed to grow as the amount of monetary gold grew. Subsidiary coins and national bank notes were slightly flexible because they were allowed to grow but still had to conform to the maximum limit under the law. The elasticity problem, however, did not concern the long-run growth of the money supply but rather its short-term expansion and contraction. The problem was that when the demand for loans and currency increased in good economic times, the amount of cash available in the system could not be increased to meet the needs of consumers and businesses. Conversely, the system had no operating mechanism to shrink the currency supply when the economy was performing poorly (Phalle, pg. 48).

In each crisis, the demand for currency could not be met without drawing down reserves because, in the short run, national banks were not able to expand the supply of national bank notes. In turn, this forced banks to contract their outstanding liabilities by a multiple of the loss in reserves and, therefore, reduced the total amount of money available to be held.

The problems of fractional reserve banking under the national banking system became the dominant issues of banking reform. The inelasticity of the stock of money and the lack of an effective reserve system or mechanism for cooperation began the trend toward a more structured form of organization. This was later opposed by the belief of many Americans in a free and independent banking system. For the purpose of illustrating the problems of the national banking system as well as understanding the motivation for and purpose of the Federal Reserve Act of 1913, the following section briefly examines one of the more important financial crises, the banking panic of 1907.

The Banking Panic of 1907

Bank run

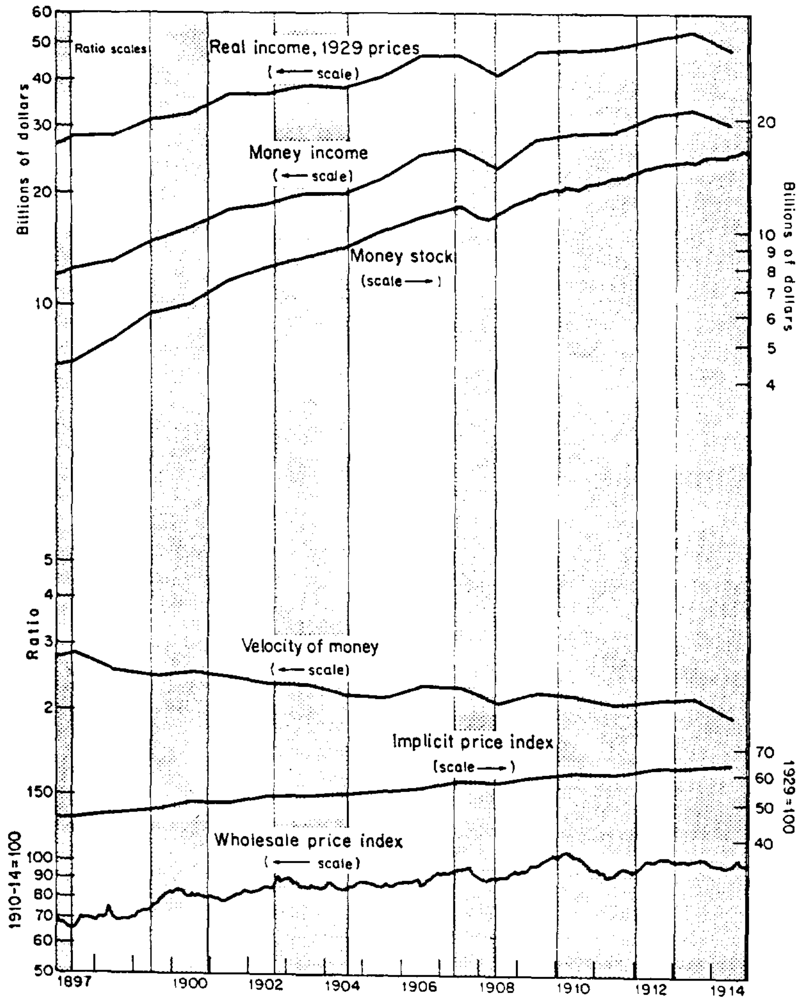
Source: *Historical Beginnings...The Federal Reserve*

"On extraordinary occasions," wrote David Ricardo, "a general panic may size the country, when everyone becomes desirous of possessing himself of the precious metals as the most convenient mode of realizing or concealing his property - against such panic banks have no security [under]...any system" (Encyclopedia, pg. 45). In a financial panic, fear leads to sudden and enormous withdrawals of deposits from banks and to wholesale selling of various financial assets for cash. People bail out of a system they fear will crash and, by doing so, either cause the disaster or enlarge it. A panic is a sudden scramble for liquidity. Unable to sell their assets quickly, banks cannot possibly honor their contractual liabilities during a panic and, therefore, they must default on their debt obligations, causing the banking system to become insolvent. In most instances, banking panics occur at the onset of economic downturns which led to their association with crises and depressions. Generally, banks suspended convertibility of deposits into currency in unison, meaning that they temporarily refused to honor their contractual agreements to redeem their debt for cash on demand. The panic of 1907 followed a pattern similar to other panics.

The decade prior to 1907 was generally very prosperous. A mild two-year economic contraction that ended in 1904 interrupted the advance in mid decade. However, this was followed by a strong expansion that featured industrial growth accompanied by rapid growth of the money stock and an advance in the stock market. By May 1907, the economy reached a cyclical peak and business activity entered a period of contraction which lasted for about a year. These events are reflected by the real and money income curves in the chart on the following page.

Chart 1

Money Stock, Income, Prices, and Velocity, in Reference Cycle Expansions and Contractions, 1897–1914



NOTE: Shaded areas represent business contractions; unshaded areas, business expansions.

***Source**: Monetary History of the United States, pg. 136*

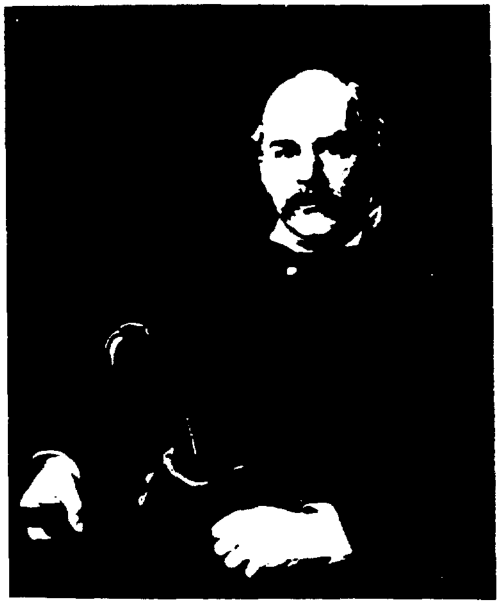
Until the beginning of 1907, both curves reflect an upward trend, but as they enter the first quarter of the year, they begin to flatten out and finally turn downward in the second quarter. Similarly, the money stock curve has an upward trend all the way into the second quarter and then it sharply turns downward. Both price indices, implicit and wholesale, reflect and upward trend in prices until the second quarter, however, the wholesale price index better reflects the fall in prices during the economic downturn than does the implicit price index curve which flattens out during that period.

The economic decline was gentle until October when a panic seized the banks. As a result, banks generally refused to pay out currency or specie to depositors on demand. Not only did banks fail, but the economic contraction intensified. Thus, the banking panic of 1907 divided the economic contraction into two parts. The first part was the period between May and September in which there were no obvious signs of real distress. Prices continued to rise (as indicated by the wholesale price index curve in Chart 1), production in some lines flattened out but did not decline seriously, freight car loadings behaved similarly, bank clearings held fairly steady, no drastic rise in the liabilities of commercial failures, and the only significant change was the reversal in gold movements from net imports to net exports. The second part of the contraction was after the October panic and it showed clear signs of severity. Production, freight car loadings, bank clearings, and the like all declined sharply, while the liabilities of commercial failures increased sharply.

From May until September , some decline in the money stock was evident, but no bank runs occurred during this time. In October, however, banks came under severe pressure. The public ran on them, demanding currency in exchange for deposits. The banks sought to increase their currency holdings to meet their depositors' demands. With both, the public and banks scrambling for liquidity, the total money stock declined by five percent in five months. This is also reflected by the sharp downturn of the money supply curve during the second half o f 1907 in chart 1 on the previous page. Prices collapsed on the stock market as banks called in loans used to finance security holdings.

The first signs of panic surfaced in October 1907. On October 14, five banks which were members of the New York Clearing House and three outside banks required assistance from a group of clearinghouse banks. On October 21, the third largest trust company in New York, the Knickerbocker Trust Company, "began experiencing unfavorable clearing house balances," a problem that was connected with the banks that were initially in trouble (Friedman, pg. 159). The next day, the Knickerbocker Trust Company was suspended by the Clearing House. The suspension occurred after considerable debate among the members as the articles from the New York Times in *Appendix A* indicate. Friedman and Schwartz argue that if the Knickerbocker were helped, the further crisis developments might have been prevented (Friedman, pg. 159). Since the entire credit structure appeared to be in danger, the Trust Company of America and the Lincoln Trust Company were given assistance when they began experiencing difficulties on October 23 and 24 respectively which saved them from failing. However, the general alarm outside New York could not be prevented.

Between October 21 and October 23, while the heavy runs on the New York trust companies were occurring, the New York Clearing House banks had to furnish currency required by the trust companies as well as ship currency to banks in the rest of the country for use there. In order to aid the Clearing House, Secretary of the Treasury, George Cortelyou, deposited $25 million with the chief central reserve city banks in New York on October 24. The aid provided the banks with the funds for local withdrawals. Between October 19 and October 31, Cortelyou deposited $36 million in New York banks. Also, $28 million had already been deposited mainly in banks outside New York between August 28 and October 14.



A decisive step to curb the panic was undertaken by J. Pierpont Morgan.

***Source:** Chartered for Progress, pg. 109*

However, New York was still threatened with panic. Loans were difficult to obtain and stock market prices collapsed. On October 24, J.P. Morgan, one of the most powerful financiers of the era, organized a money pool of $25 million in order to prevent a further price decline on the stock exchange. Some leading banks and financiers subscribed to that pool. Next day, another pool of $10 million was formed. The local runs slowed down by the end of the week but alarm had already spread throughout the country.

In response to the demand for currency by country banks who held deposits in New York, the New York Clearing House began issuing clearing house loan certificates on October 26. Fearing a drain on their reserves, the New York banks immediately began restricting the convertibility of deposits into currency. In previous panics during the 1800s, substitutes for currency were issued. Some of these included clearinghouse loan certificates issued to banks for payments to each other, small clearinghouse checks and certificates, cashiers' checks, and manufacturers' pay checks. The restriction pushed the currency to a premium over deposits. The premium reached a high of four percent (4%). This meant that every dollar of cash was worth $1.04 in bank deposits or that an individual was willing to give up one dollar worth of bank deposits in order to obtain $0.96 in cash. Deposits became a less desirable asset because of distrust of banks and because deposits were no longer so useful for transaction purposes. This economic phenomenon was termed "hoarding of currency" by Oliver M.W. Sprague (pg. 276). The restriction of payments by the New York banks quickly spread to banks throughout the country. The restriction period ended in January, 1908.

Interpretation of Events in 1907

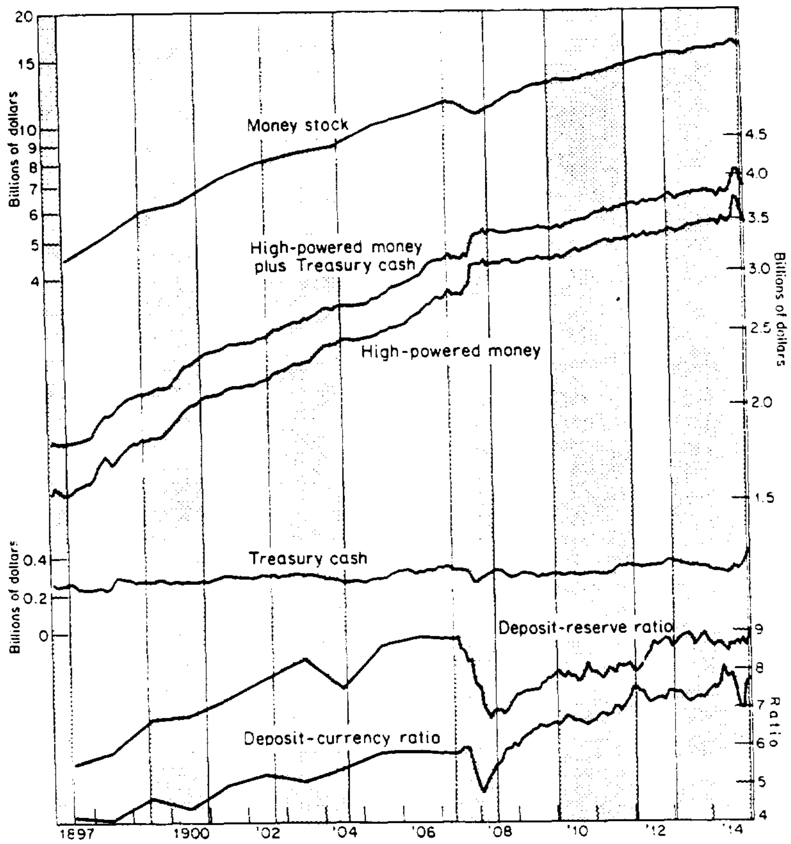
The most common interpretation of the banking panic of 1907 is that the panic and restriction of payments transformed a fairly mild economic contraction into a severe one. This interpretation motivated the monetary reform of the time that culminated in the Federal Reserve Act in 1913 (Friedman, pg. 163). Friedman and Schwartz, while recognizing that the bigger and stronger New York banks might have postponed restriction of payments by heavy and prompt lending to the weaker banks and trust companies and by supplying the currency needs of banks outside of New York, defend the relatively early restriction of payments. They believe that the restriction was a "therapeutic measure" which prevented the contraction from becoming even more severe and much more prolonged than it was (Friedman, pg. 163). Weak banks failed but such failures did not cause a chain reaction. Only a few banks failed because of temporary illiquidity. "Restriction of payments thus protected the banking system and gave time for the immediate panic to wear off, as well as for additional currency to be made available" (Friedman, pg. 167). Based on Friedman's and Schwartz's interpretation, the early restriction of payments helped prevent widespread bank failures, cut short a possible major deflation, and kept the maximum decline in the stock of money to less than eight percent (Friedman, pg. 167).

In the "History of Crises Under the National Banking System," however, Oliver M.W. Sprague argues that the restriction of payments was a "discreditable step [because it] was taken when the New York banks were much stronger than on other occasions and when prospects for securing additional funds were far more promising" (pg. 261). Sprague criticizes the New York banks because they delayed the issue of clearinghouse loan certificates and resorted to restriction of payments, while their own reserves were still sufficient (Sprague, pg. 273). Sprague believes that early assistance to the Knickerbocker Trust Company might have prevented any distrust in the soundness of the banking system. At the same time, he does not blame the failure of the clearinghouse authorities to aid this third largest trust company in New York because the Knickerbocker was not a member of the New York Clearing House (Sprague, pg. 253).

Friedman and Schwartz identify two reasons for high vulnerability of the banking system in 1907 to a shift in the liquidity preferences: (1) the ratio of deposits to currency (*D/C*) had been growing steadily and (2) the ratio of deposits to banks' reserves (*D/R*) had been rising irregularly and slowly until about 1898 and then it accelerated (Friedman, pg. 164). These occurrences are represented in the following chart by the deposit-reserve ratio and deposit-currency ratio curves.

Chart 2

The Stock of Money and Its Proximate Determinants, and Treasury Cash, 1897–1914



NOTE: Shaded areas represent business contractions; unshaded areas, business expansions. The top three curves are plotted on a ratio scale, the bottom three on an arithmetic scale.

Source: *Monetary History of the United States, pg. 175*

"The rise in the ratio of deposits to reserves intensified the effect of any attempted shift on the part of the public to currency" (pg. 65). It made banks more susceptible to failure through runs because the extent to which they could satisfy the increased demand for currency diminished as the ratio of deposits to reserves increased. Consequently, banks were more prone to strengthen their cash positions at the slightest sign of possible demands on them (Friedman, pg. 165).

The Reform of the Banking System

The Aldrich-Vreeland Act

Named for Senator Nelson W. Aldrich and Representative Edward B. Vreeland, this temporary act (1908) dealt with the problem of how to provide enough currency quickly to satisfy the demands of the public when it wanted to convert large amounts of deposits into cash. To do so was critical for the system because if total currency (high-powered money) could not be expanded rapidly the withdrawal of it from the banks would deplete their reserves as depicted by the high-powered money curve during the second half of 1907 in chart 2. By a sort of reflex action, this would make banks reduce their liabilities and so reduce the total means of payment (deposits plus currency) by a multiple amount. "Short-period 'elasticity' in one component of the money stock -currency- was therefore desirable in order to prevent undesired 'elasticity' in the total money stock" (Friedman, pg. 169).

The Aldrich-Vreeland Act permitted banks to join together in groups to form National Currency Associations which were empowered to issue emergency currency. The banks would deposit certain approved assets (commercial paper and bonds) with the association. Limits would be placed on the amounts of currency that could be created and the notes would have to be retired promptly once the emergency ended, a process to be encouraged by taxes on notes. The emergency provisions of the Aldrich-Vreeland Act were used only once , at the outbreak of World War I, before the Act expired on June 30, 1915. On that occasion, the act successfully provided "an effective device for solving a threatened interconvertibility crisis without monetary contraction or widespread bank-failures" (Friedman, pg. 172).

Another very important clause of the Aldrich-Vreeland Act provided for the appointment of a National Monetary Commission which served as the incubator for the Federal Reserve Act. Senator Nelson Aldrich was the Chairman and Representative Edward Vreeland was the Vice-Chairman of the eighteen-member congressional body. Through hearings and many special studies, the commission undertook an exhaustive examination of the monetary system and possible remedies for its deficiencies. In 1912, the Commission issued a report to Congress recommending a plan of reform. The Commission's proposals for a central bank were highly contentious politically (Johnson, pp. 17-18). After extensive debate, the Federal Reserve Act was passed on December 23, 1913. The new system was very similar in general structure to and identical in many details with the specific plan of reform recommended by the commission (Friedman, pg. 171). Prior to the 1912 report by the Commission, Senator Aldrich proposed a bill whose similarities with the Federal Reserve Act of 1913 are quite apparent.

The New Aldrich Bill of 1911

In 1911, Senator Aldrich proposed a new bill for creation of a National Reserve Association with a paid-in capital of $100 million. The Association would be wholly owned by subscribing banks and would have fifteen regional districts. The board of directors of each district's branch were to be selected by local associations of banks. Even though the head office charged with overseeing the district branches was going to be located in Washington D.C., the government would not be represented on the board of this new institution. All national banks would be required to become members, while the state banks could chose to join or not, as they saw fit. The new bill appealed to the banking community by emphasizing that the National Reserve Association would function as a national clearinghouse (White, pg. 94). On one occasion, senator Aldrich said that "the organization proposed is not a bank, but a cooperative union of all banks of the country for definite purposes and with very limited defined functions. It is, in effect an extension, an evolution of the Clearing House plan modified to meet the needs and requirements of an entire people" (White, pg. 94). As the composition of the board of directors conveys, small banks were given a voice in the selection of directors, while the weight of votes of large banks depended on their subscription or contribution to the association's stock (White, pg. 95). One of the branches' responsibilities was to rediscount notes and bills of exchange endorsed by members on agricultural, industrial, or commercial transactions of twenty-eight days or less maturity. The purpose of this provision was to "impart sufficient elasticity to the currency according to the principles of the real bills doctrine" (White, pg. 95). The bill forbade discounting of bills drawn to carry stocks, bonds, or other investment securities with the purpose of dissolving the relation between banking and the stock market (White, pg. 95).

The new Aldrich Plan was rejected and, in Thibaut de Saint Phalle's opinion, that was due to several reasons: (1) the absence of any real government influence over the system, (2) the proposal to allow the banks to include notes as reserves, (3) a uniform discount rate, and (4) centralization of the National Reserve Association's administration. Another important reason deals with the political circumstances: the newly-elected Democratic Congress was strongly opposed to centralized control of the banking system. Many members of Congress perceived Aldrich as the spokesman for Wall Street bankers which reduced the credibility of Aldrich's arguments (Phalle, pg. 50). Even though the Aldrich Bill never became law, many of its features were later included in the Federal Reserve Act.

Soon after his election, President Woodrow Wilson took an active interest in the preparation of a banking reform bill and called a special session of Congress in the Spring of 1913 largely to deal with banking legislation. Fear of control by Wall Street on one hand and too much government control on the other required reconciliation. Eventually, the bill of Virginia's Representative Carter Glass and a Senate version of it resulted in a compromise that received President Wilson's signature on December 23, 1913 as the Federal Reserve Act. The legislative process was complicated and involved numerous political leaders, bankers, and academicians.

DECEMBER 24. 1913-SIXTEEN PAGES. PRICE TWO CENTS.

PRESIDENT'S SIGNATURE ENACTS CURRENCY LAW

Wilson Declares It the First of Series of Constructive Acts to Aid Business.

Makes Speech to Group of Democratic Leaders.

Conference Report Adopted in Senate by Vote of 43 to 25.

Banks All Over the Country Hasten to Enter Federal Reserve System.

Gov.-Elect Walsh Calls Passage of Bill A Fine Christmas Present.

WILSON SEES DAWN OF NEW ERA IN BUSINESS

Aims to Make Prosperity Free to Have Unimpeded Momentum.

HOME VIEWS OF CURRENCY ACT

FOUR PENS USED BY PRESIDENT

President Wilson signs the Federal Reserve Act

The Federal Reserve Act of 1913

This legislation established a new banking structure under the supervision of the Federal Reserve Board and twelve district Federal Reserve Banks. The purpose of the act was clearly stated in its introductory section:

> "To provide for the establishment of the Federal Reserve Banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes" (The Statutes, Vol. XXXVIII, pg. 251).

Eugene N. White, in "The Regulation and Reform of the American Banking System, 1900-1929," lists the main provisions of the Act of 1913 (pp. 97-98):

1. Every member bank was required to contribute six percent of its capital and surplus to the Federal Reserve Bank (one half was to be paid in and the other half was on call).
2. State-chartered member banks had to conform to the minimum capital requirements of national banks.
3. Reserve requirements on demand deposits established by the National Banking Act were lowered to eighteen percent (18%) for central-reserve-city banks, fifteen percent (15%) for reserve-city banks, and twelve percent (12%) for country banks. With respect to time deposits, the new reserve requirement was reduced to five percent (5%) for all classes of banks. For a brief time, part of these reserves could be carried in vault cash, but eventually they had to be deposited with the Federal Reserve Bank where they earned no interest.

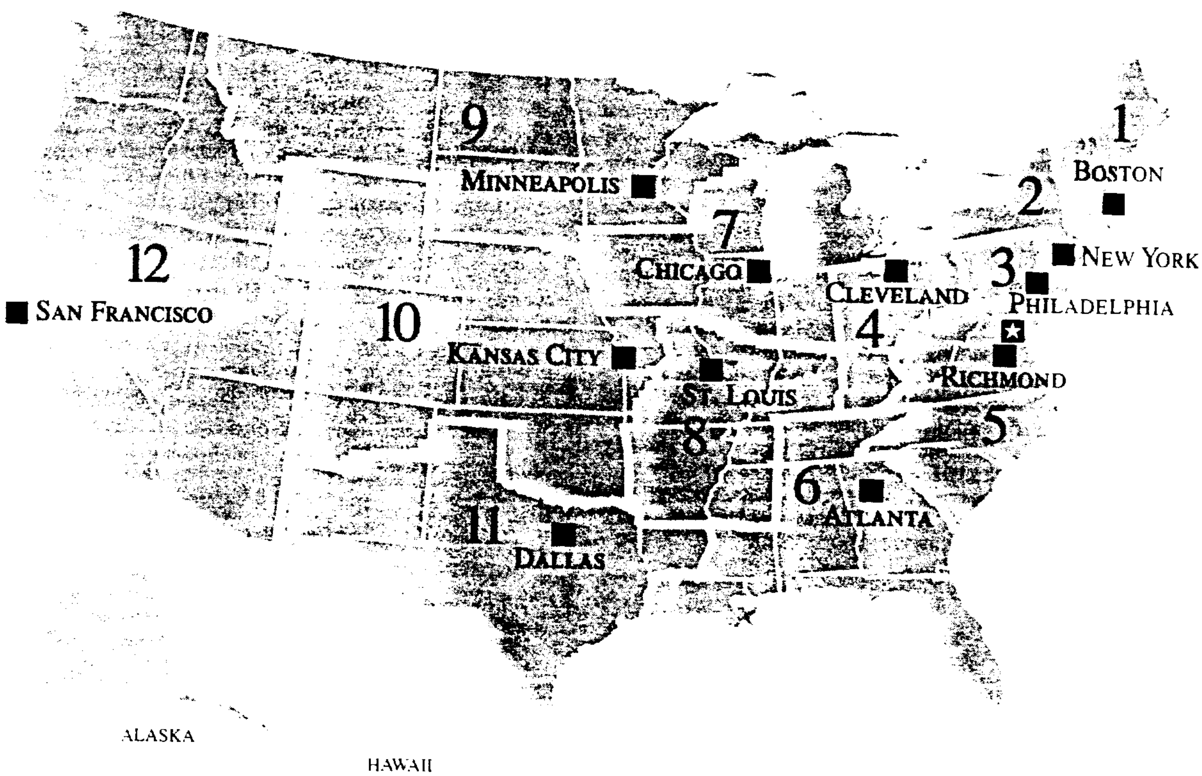
4. Member banks were forbidden to have a deposit in excess of ten percent (10%) of capital and surplus with a nonmember bank.
5. Member banks were examined twice per year by the Comptroller of the Currency and were subject to special examination on the discretion of the Federal Reserve Bank.
6. All member banks had the privilege of rediscounting notes, drafts, and bills of exchange at the Federal Reserve. Financial instruments used to carry stocks or bonds, except those of the U.S. government, were excluded. The maturity of the instruments discounted could not exceed ninety days (except in cases of agricultural bills which were allowed a maximum six-month maturity). Notes or paper for firms or individuals which were worth more than ten percent (10%) of the bank's capital and surplus were prohibited. Bank acceptances which were based on import or export of goods and had maturities of no more than three months were discountable as long as they were not worth more than fifty percent of a bank's capital and surplus.
7. Member banks were required to deposit, at par, checks and drafts drawn upon any of the depositories of the Federal Reserve Banks with the Federal Reserve Bank. The Federal Reserve Banks also became the acting clearing houses for their members.
8. The act established a mechanism for gradual retirement of national bank notes in order to avoid lowering of prices of bonds which were used to secure those notes.

The Act provides an elastic supply of currency which was viewed as a deficiency of the previous system. Now, as business activity grew, the money supply could expand as well as contract once the demand for currency decreased thus preventing periodic panics and runs on banks. However, as it is evident from the banking panics of the Great Depression, this provision of the Act did not work in solving the currency inelasticity problems as it was intended by the authors of the Act. Another important provision of the Act was the centralization of bank reserves which pooled "the system's reserves for common use in periods of credit stringency" (Phalle, pg. 54).

These provisions pleased many in the banking community as indicated by the excerpts from the New York Times dated December 24 and 25, 1913 in the *Appendix B*. This is reinforced by the fact that two hundred and thirteen (213) banks applied for membership in the new Federal Reserve System during its first day, December 24, 1913.

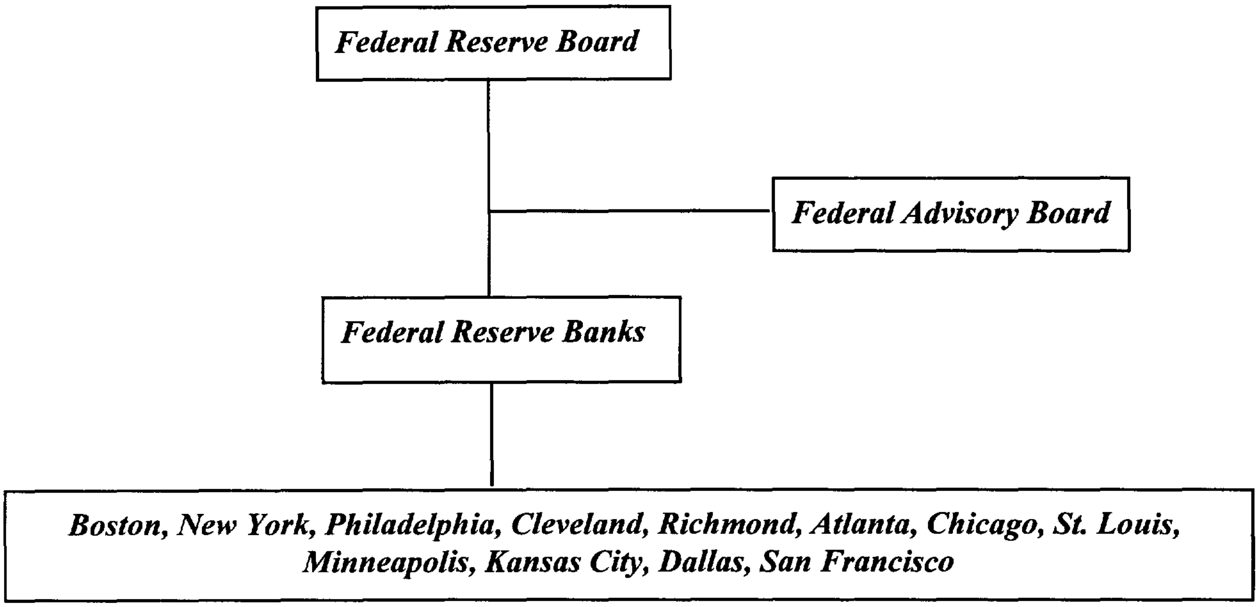
<u>Federal Reserve System under the Act of 1913</u>

The Federal Reserve Act of 1913 provided for the establishment of twelve Regional Federal Reserve Banks located in Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco.



The structure of the initial Federal Reserve System is represented by the following chart:

Federal Reserve System, 1913



The stock of each *Federal Reserve Bank* was held by the member banks of its district. Each district bank had a board of directors serving three-year terms and each district bank selected one person to serve on the Federal Advisory Board which met four times a year in Washington D.C. The Federal Reserve Act granted power to every Federal Reserve Bank to establish discount rates which could vary among the districts. However, all district rates had to be approved by the Federal Reserve Board in Washington D.C. The district banks were also charged with deciding whether or not to make loans to individual member banks.

The Federal Reserve Board consisted of seven members which included the Secretary of the Treasury, the Comptroller of the Currency, one member designated by the President as Governor and one as a Vice Governor. All seven members were appointed by the President for fourteen-year terms. The Board supervised the twelve district banks, as indicated by the chart, and was authorized to perform open-market operations (to buy and sell acceptances and government securities). Among the most important powers granted to the Board by the Act is the power to issue currency without a limit.

The Federal Advisory Board was composed of twelve members, one from each Federal Reserve district. The member for each district was elected annually by the board of directors of the Federal Reserve Bank for that district. The Act required the Board to meet at least four times a year in Washington D.C. All members of the Board were private commercial bankers. The board was empowered to either directly or through its officers make representations regarding matters within the jurisdiction of the Federal Reserve Board, to call for information, and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in various districts, open-market operations, and the general affairs of the Federal Reserve System. The Board's function was entirely advisory.

All *member banks* with national charters were required to be members of the Federal Reserve System. Banks with state charters could voluntarily join the system if they were qualified for membership and accepted by the Federal Reserve Board. The financial condition of the applying bank, the general character of its management, and whether or not the corporate powers exercised were consistent with the purposes of the Federal Reserve Act were all important considerations in deciding to allow the applicant's membership. Once the bank became a member, it assumed a number of important obligations. It was required to comply with the reserve requirements of the Federal Reserve and to keep its required reserves on deposit without interest at the Federal Reserve Bank in its district. The member bank was a subject to various requirements of Federal law with respect to branch banking, holding-company regulation, interlocking directorates, certain loan and investment limitations, and other matters. Finally, each member bank was a subject to supervision and examination by the Federal Reserve authorities.

The Act of 1913, however, was not the end of the banking reform process as many had hoped. Changes in the Federal Reserve System were called for after the financial crises of the Great Depression and were accomplished primarily by the Glass-Steagall Act of 1933 and the Banking Act of 1935. These acts extended the powers of the Federal Reserve, particularly those of the Federal Reserve Board, and created the system as we know it today.

Summary

The chaotic nature of American banking prior to and during the civil war led to an attempt to form national banks. Such banks presumably could solve some of the most pressing problems of that time: highly-risky investments by state banks, variety of notes which made trade difficult and expensive, bank monopoly and special favoritism, lack of available and sufficient reserves to back up the deposits, state banks issuing more notes than their paid-in capital could support, etc.

Formation of the national banking system in 1864 helped solve some of these problems but it failed with respect to some others. For instance, the Act of 1864 prohibited banks from engaging in some high-risk activities, such as long-term, non-commercial investments and operations. It also attempted to solve the problem of bank monopolies and special favoritism by embracing the principle of *free banking*. The Act authorized national banks to issue notes secured by the U.S. government which now made notes more sound and, also, made an attempt to standardize the reserves held against bank deposits. However, the national banking system did not foster interbank cooperation and did not have much influence on the non-national banks. Therefore, in time of panic, each bank scrambled to protect itself which made it more difficult to resist the increasing runs on banks. Furthermore, pyramiding of reserves caused the actual level of available reserves to be much lower than it was nominally required, thus making the banking system weaker than it appeared. The inelasticity of currency was one of the more important problems of the national banking system. When the economy was performing well, the money supply could not be increased to accommodate its needs nor could it shrink when the economy was sluggish.

The weaknesses of the national banking system in the 1800s were apparent to contemporary observers. However, restructuring of the system required major changes which many did not favor. It was the severe panic of 1907 that induced lawmakers to undertake a major reform of the system. The panic, it was claimed, transformed a fairly mild economic contraction into a severe one which motivated the monetary reform. In May 1908, Congress passed the Aldrich-Vreeland Act, a piece of stopgap legislation designed to prevent panics like those that plagued the U.S. economy in previous years. The Aldrich-Vreeland Act created a National Currency Association with the power to issue emergency currency to banks experiencing difficulty resulting from a general monetary stringency. The Act also created the National Monetary Commission charged with conducting a study of the money and banking system.

The work of the National Monetary Commission led to the first attempt to establish a central bank along the lines of the Federal Reserve by introducing the Aldrich bill in 1911. The bill would have created a central bank called the National Reserve Association. Membership in the Association was voluntary, bank notes were to be issued against general assets and government bonds, and there were provisions for central rediscounting of commercial paper, reserves against deposits, and reserves against bank note issues. The Aldrich bill vested the control over the Association in the nation's bankers rather than in the government. This was enough to doom the bill since it threatened to bolster the power of the so-called "money trust," a concentration of control of money and credit in the hands of a few Wall Street leaders. Also, the bill was introduced by Republicans in a newly-elected Democratic Congress which made its approval more difficult.

After a long and politically controversial process, the Federal Reserve Act of 1913 was introduced in Congress the year following the failure of the Aldrich Bill. The intention was to create a central banking system which would avoid either political or private domination of the monetary system. The new system was a blend of public and private participation under the coordination of a public body, the Federal Reserve Board. The system was designed such that it could be independent within the general structure of the government, not necessarily independent of the government. It has been compared broadly to a trusteeship created by the Congress to administer the nation's credit and monetary policies. It was a trusteeship committed to safeguarding the integrity of the monetary system. The Federal Reserve Act of 1913 provided tools to manage money and credit markets more effectively than ever before. However, its effectiveness was widely questioned during the Great Depression of 1930s when three banking panics occurred. Despite the fact that the original Act of 1913 was changed by the Glass-Steagall Act of 1933 and Banking Act of 1935, it still remains one of the most important pieces of financial legislation enacted in the twentieth century. The Federal Reserve Act of 1913 had created the basic structure of the Federal Reserve System which still remains and is one of the most successful financial entities in the world. In a sense, it is comparable to the Roman Colosseum, a ruin still admired by many.

Appendix

A

$5,000,000 FOR ORPHAN GIRLS.

Robert N. Carson's Will Provides Institution Similar to Girard College.

PHILADELPHIA, Oct. 22.—It was announced to-day that the will of Robert N. Carson, a millionaire of this city, who died suddenly in a theatre here last week, provides for a $5,000,000 institution for orphan girls, patterned after Girard College in this city, which is exclusively for boys. The bequest becomes effective after the death of the widow, Mrs. Frances Carson. The institution will be located at Flourtown, just over the city line in Montgomery County.

The will is almost identical with that of Stephen Girard, who founded the largest college of its kind in the world. Like Girard's will, Mr. Carson's bequest provides that the institution shall not be controlled by any religious denomination, and that no religious services shall be held in the institution that are peculiar or exclusive to any church.

The girls are to be carefully instructed in the fundamental doctrines of Christianity, and no clergyman of any sect is to be excluded from the grounds, but there is to be no proselyting or reference to peculiar tenets of belief expressed before the pupils.

The management of the college is to be intrusted to a board of seven trustees, who are to be appointed by the executors and trustees of the will.

The college will be open to all poor white girls both of whose parents are dead. In the matter of admission preference is to be given equally to girls born in the city of Philadelphia or in Montgomery County, which adjoins this city; after that admissions are to be to those born in the State of Pennsylvania, and lastly to those born in the United States. The age of admission is between six and ten years, and of discharge from the college at eighteen or earlier, if the trustees deem it for the best interest of the girls.

WOULD SUE BRIDE IN GREEN.

Pittsburger Whose Marriage Was a Hazy Dream Now Wants Divorce.

Special to The New York Times.

PITTSBURG, Oct. 22.—Declaring that his only recollection of anything that took place is a hazy vision of a woman in green, Dr. Clayton Kane of this city is at Youngstown, Ohio, trying to find out the particulars of his marriage to Mrs. Katherine McCoy Gulick, divorced wife of R. M. Gulick, the millionaire theatrical manager of this city.

The couple was married at Youngstown Oct. 4 by the Rev. S. F. Whitsar, the "marrying parson" of that place, and to-day Dr. Kane sought the minister for particulars. To him he declared that he was intoxicated at the time of the wedding, and that he was kidnapped, and will institute proceedings for divorce from the woman he married. His wife, he says, is in Philadelphia.

Dr. Kane, who is a prominent young physician of this city, met Mrs. Gulick in the cafe of the hotel where he lives on the night of Oct. 2. She was attired in green from head to foot. The following day they appeared at the marriage license office, but were refused a license.

The same thing happened the next day, and on the day following that, the couple went to Youngstown, where they were married.

TWO BOYS DEAD FROM RABIES.

Were Bitten by a Dog Nearly Seven Months Ago.

WILKESBARRE, Penn., Oct. 22.—Samuel Burnett, aged 7 years, of Maltby, and John Zeemertis of Dupont, near-by mining settlements, are dead at their homes from rabies, and Isaac Burnett, aged 12 years, a brother of Samuel, and George Rega, a neighbor, were sent to Pasteur Institute in New York to-day to be placed under treatment for hydrophobia.

The Burnett children and Rega were bitten nearly seven months ago by a dog, but no symptoms of rabies developed until a few days ago. Zeemertis and another boy named Joseph Oretto were bitten by a dog five weeks ago.

When symptoms of rabies developed Oretto was sent to the Pasteur Institute, but Zeemertis refused to go and died in great agony.

HIT MARK 3,200 YARDS AWAY.

Satisfactory Test Made of Bliss-Leavitt Turbine Torpedo.

AID TRUST CO. OF AMERICA

It Has Twelve Millions, and as Much as May Be Needed Is Pledged.

J. P. MORGAN IS TO HELP

With Other Financiers He Acts at Night Meeting with Secretary Cortelyou.

THE SITUATION CLEARING

Government Aid Pledged and Cortelyou Will Supervise for the Treasury.

At a conference between Secretary Cortelyou, who came on from Washington in response to a hurry call, and the chief bankers of the city, headed by J. P. Morgan, at the Hotel Manhattan last night, it was formally decided that the point needing buttressing now is the Trust Company of America, the third largest institution of its kind in the city, and of which Oakleigh Thorne is President.

Earnest attention was given to this new problem, and the result was the formation of a powerful syndicate to stand by the company at its opening to-day.

This determination was announced at 1 A. M. in the following official statement, after Mr. Perkins and President Thorne had been in conference at the Union League Club subsequent to the Hotel Manhattan gathering:

The Official Statement.

"The chief sore point is the Trust Company of America. The conferrees feel that the situation there is such that the company is sound. Provision has been made to supply all the cash needed this morning. The conferrees feel sure the company will be able to pull through. The company has twelve million dollars cash and as much more as needed has been pledged for this purpose. It is safe to assume that J. P. Morgan & Co. will be leaders in this movement to furnish funds.

A committee has been named, including a representative of Morgan & Co. and others, to look over the accounts of the Trust Company of America, with the idea of definitely determining its position.

"The guarantees of cash made last night are for the purpose of meeting any demands upon the Trust Company of America, pending the completion of this examination."

After the close of the Manhattan conference one of the chief conferrees, a Clearing House committeeman, said:

"I think it safe to say now that no other financial institution of the least importance will have to undergo the experiences of the Knickerbocker Trust Company. I feel optimistic for the first time since these troubles began."

It was also said there was no thought that the Trust Company of America was in anything like the position of the Knickerbocker Trust Company, but these steps were taken with the intention of making an authoritative statement before noon to-day that the Trust Company will be taken care of in any eventuality, providing conditions are found as sound as there is every reason to believe them to be.

That these interests have agreed, pending final examination of its accounts, to supply the Trust Company of America with any cash needed was pointed to as proving the confidence of all interests in the soundness of the company.

Those who were at the Hotel Manhattan conference with [illegible]

the train for New York, telegraphing first to the local Sub-Treasury to release $6,000,000 of Government money to the banks of this city upon their deposit with the Sub-Treasury of collateral.

The statement which was given out in Washington ran as follows:

"The Secretary of the Treasury is keeping in close touch with the business conditions throughout the country. In the matter of public deposits he will at times consult the needs of legitimate business interests and will not hesitate to deal promptly and adequately with any situation that may arise."

After the Secretary had gone there was given out at the department a statement showing that there still remain outstanding only $6,070,000 of the 4 per cent. bonds, which are being redeemed under the circular of April 2. In some quarters this was taken to mean that the $6,000,000 reported from New York to have been deposited had been sent there for the redemption of these 4 per cent. bonds.

The Examination.

While the financial community was busy yesterday in watching closely the efforts which were being made to rehabilitate the affairs of the Knickerbocker Trust Company, if possible, the State Banking companies were giving close attention to the affairs of other institutions. State Bank Examiner Albert C. Judson, it was learned last night, made an examination yesterday of all of the loans of the Trust Company of America. Confirmation of this fact was obtained last night from Mr. Judson himself. Mr. Judson at his home in Staten Island said:

"It is true that I made an examination of the Trust Company of America's loans to-day. My purpose in making this examination was to investigate reports which had been spread abroad that both C. W. Morse and Charles T. Barney were heavy borrowers from the Trust Company of America. My examination revealed the fact that Mr. Morse has no loans whatever with the Trust Company of America; and that the only loan which Mr. Barney had amounted to $175,000, and this was amply secured."

The interesting fact brought to light last night was that the security pledged by Mr. Barney to cover this loan was 240 shares of the Knickerbocker Trust Company's stock, of a par value of $2,400, which recently had a high market valuation.

Asked whether he regarded this security as ample to cover Mr. Barney's loan, Mr. Judson said, "I think so." The stock of the Knickerbocker Trust Company has sold as high as $1,000 a share, although it would not be very salable under existing conditions.

Mr. Judson was asked if his examination revealed any loans by the Trust Company of America to its President, Oakleigh Thorne. Mr. Judson said Mr. Thorne had not a single loan with the Trust Company of America.

Its Directors' Loans on Call.

Mr. Judson's attention was drawn to the fact that the last report of the Trust Company of America to the State Banking Department showed that the liability of Directors to the trust company reached a total of $1,489,516. Mr. Judson said that practically all of these loans represented call loans to Directors who happened to be brokers, and are borrowing money on call in the usual course of business. All of these loans, Mr. Judson said, were fully secured by collateral which showed the usual margin of 25 per cent. in market value over the amount of the loans.

One of the chief officers of the Trust Company of America showed no hesitancy last night in admitting that the Bank Examiners had made an inspection of the Trust Company of America's loans. This officer said, as Mr. Judson had previously, that the reason for the examination was to investigate reports of heavy loans to Mr. Morse and Mr. Barney. He added that, as the statement by Mr. Judson showed, Mr. Morse had no loans whatever with the Trust Company of America. Mr. Morse, further, had no connection, direct or indirect, with the Trust Company of America, and, furthermore, the Trust Company of America was in no way concerned in any of Mr. Morse's ventures.

Bank Examiner Judson, it was learned after his examination of the Trust Company of America's loans, supplied to the trust company a certificate to the effect that he had found no loans whatever had been made to Mr. Morse and that the only loan to Mr. Barney was the $175,000 already referred to.

State of the Trust Company.

According to the statement of the State

KNICKERBOCKER WILL NOT OPEN

Conference of Bankers Deems It Unwise to Aid the Trust Company Further To-day.

EIGHT MILLIONS WITHDRAWN

Attorney General Jackson, Though, Will Take No Step to Close the Institution.

STILL HOPES FOR THE BEST

Results of Conferences After a Suspension, a Brokers' Failure, and Panicky Day in Wall Street.

After the conference of bankers last night it was learned that the Knickerbocker Trust Company, which shut its doors yesterday afternoon after the withdrawal of $8,000,000 by depositors, was regarded by those at the conference as insolvent, and that no aid was to be extended to that institution.

It was the opinion of all the bankers at the conference that the general banking situation, not only as far as it concerned the banks, but the trust companies as well, has been very much strengthened, and no further trouble is apprehended. Such trust companies as may deserve assistance, it was learned, will receive it.

Early this morning a Knickerbocker Trust Company Director said to a TIMES reporter:

"There is no chance that the Knickerbocker Trust Company will reopen in its old form. I can't say nothing more, now."

It was stated authoritatively after the conferences that the reason the Knickerbocker Trust Company was not aided by the Clearing House Association and Mr. Morgan and his associates was that the company's capital and surplus were impaired, and that Mr. Morgan did not care to assume the responsibilities of previous poor management.

Attorney General's Hopefulness.

On the other hand, Attorney General Jackson, after a conference with Acting Superintendent of Banks Skinner, which lasted until 1 o'clock this morning, made the announcement that he would take no step to close the Knickerbocker Trust to-day, even if it did not resume payments. Mr. Jackson said:

"I am fully confident that the officials of the company are able to raise money enough to pay all demands."

Mr. Jackson arrived at the Murray Hill Hotel at 10:30 o'clock and there met three members of his staff and Acting Superintendent of Banks Skinner, with three of the latter's chief examiners. They immediately went to Parlor H on the ground floor and went over the situation at length. When the meeting broke up at 1 o'clock the Attorney General said he had gone over the situation thoroughly with Mr. Skinner, and was of the opinion that the Knickerbocker Trust Company would be able to resume business to-day.

"I understand," he said, "that the Directors are in conference to-night, and I expect that they will be able to get assistance which will make it possible for them to open. I consider the situation hopeful. There is no occasion for hysteria."

When asked directly if he would institute insolvency proceedings if payments to depositors were not resumed this morning Mr. Jackson replied that he had already said he fully expected the company would resume payments in the course of the day. He was then asked if he would close the institution if payments were not resumed to-day.

"No," said Mr. Jackson, "I shall give

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HIT MARK 3,200 YARDS AWAY.

Satisfactory Test Made of Bliss-Leavitt Turbine Torpedo.

Special to The New York Times.

NEWPORT, R. I., Oct. 22.—To determine the accuracy of the new Bliss-Leavitt turbine torpedo, such as will be used by the navy in the future, a test was made by Commander Albert Gleaves, in charge of the Naval Torpedo Station here, and Chairman of the Naval Torpedo Board, in Narragansett Bay to-day.

One of the new missiles was fired from the torpedo boat Morris at a target 3,200 yards away. It went true to its mark at a rate of 25 knots.

The Government officials seem highly satisfied with the showing made by the torpedo.

BALLOON FOR HIS STOCKING.

Mrs. Fleischmann to Make Big Christmas Gift to Her Husband.

Special to The New York Times.

ST. LOUIS, Oct. 22.—A balloon will be a Christmas present to Max Fleischmann of Cincinnati from his wife. Mrs. Fleischmann came to St. Louis for the balloon race, and was one of the few women who gained admittance to the starting field.

She gave an order to-day to Leo Stevens for a balloon to cost $2,500 and said it was destined to go in Mr. Fleischmann's stocking. He is now on a hunting expedition in the Northwest. The Fleischmanns recently returned from Africa, where they hunted big game.

TELEPHONED GIRLS; LYNCHED

Indiana Negro Who Went to Mississippi the Mob's Victim.

Special to The New York Times.

VAN VLEET, Miss., Oct. 22.—Henry Sykes, a negro, was lynched here to-night by a small crowd of men thought to hail from the neighboring town of Okolona. Sykes, who was a recent arrival from Indiana, was accused of calling up white girls in Okolona on the telephone and annoying them.

The town authorities used a decoy telephone message to get Sykes here, but before he could be taken he had escaped. An all-night chase ended when the posse captured the negro after a brief fight in which shots were exchanged.

pany is sound. Provision has been made to supply all the cash needed this morning. The conferrees feel sure the company will be able to pull through. The company has twelve million dollars cash and as much more as needed has been pledged for this purpose. It is safe to assume that J. P. Morgan & Co. will be leaders in this movement to furnish funds.

A committee has been named, including a representative of Morgan & Co. and others, to look over the accounts of the Trust Company of America, with the idea of definitely determining its position.

"The guarantees of cash made last night are for the purpose of meeting any demands upon the Trust Company of America, pending the completion of this examination."

After the close of the Manhattan conference one of the chief conferrees, a Clearing House committeeman, said:

"I think it safe to say now that no other financial institution of the least importance will have to undergo the experiences of the Knickerbocker Trust Company. I feel optimistic for the first time since these troubles began."

It was also said there was no thought that the Trust Company of America was in anything like the position of the Knickerbocker Trust Company, but these steps were taken with the intention of making an authoritative statemtnt before noon to-day that the Trust Company will be taken care of in any eventuality, providing conditions are found as sound as there is every reason to believe them to be.

That these interests have agreed, pending final examination of its accounts, to supply the Trust Company of America with any cash needed was pointed to as proving the confidence of all interests in the soundness of the company.

Those who were at the Hotel Manhattan conference with Mr. Cortelyou were J. P. Morgan, George F. Baker, George W. Perkins, Frank A. Vanderlip, A. B. Hepburn of the Chase National Bank, President Stillman of the City National Bank, J. G. Cannon, Vice President of the Fourth National Bank, and State Controller Glynn.

Most of them stayed an hour or more, and Mr. Perkins was the last to leave, not getting away until nearly 12 o'clock.

The afternoon meeting at Morgan & Co.'s offices had been postponed in order to have the benefit of Secretary Cortelyou's advice when it came together again in the evening, and at this time the entire situation was carefully canvassed with the Secretary of the Treasury.

Hamilton Fish, Assistant United States Treasurer, in charge of the New York Sub-Treasury, was the official who formally greeted Mr. Cortelyou on his arrival.

Treasury Aid to Banks.

In a general discussion on the ferry-boat it was pointed out that the Treasury Department and the Government have for the last several weeks made heavy deposits of cash in the National depository banks throughout the country, and that these deposits were made in anticipation of the usual shortage of money at this season of the year, owing to the movement of the crops.

The situation in New York has demanded the attention of the Government for some time and it has recently sent many millions to the Sub-Treasury and to the National bank depositories to aid in relieving it. And the Government is willing to continue its help.

Here Mr. Cortelyou will receive the most reliable information, he believes. He will stay two or three days, or as long as is necessary to see the untangling of the situation.

At the very commencement of the day the telephone wires between New York and Washington began to sing with messages between bankers and Secretary of the Treasury Cortelyou and Controller of the Currency Ridgely.

The Government finance officers were kept fully informed of the situation in this city, and at noon the outlook was such that, following the closing of the Knickerbocker Trust Company's doors, Mr. Cortelyou and Mr. Ridgely collaborated in the preparation of a statement, and then Mr. Cortelyou immediately took

revealed any loans by the Trust Company of America to its President, Oakleigh Thorne. Mr. Judson said Mr. Thorne had not a single loan with the Trust Company of America.

Its Directors' Loans on Call.

Mr. Judson's attention was drawn to the fact that the last report of the Trust Company of America to the State Banking Department showed that the liability of Directors to the trust company reached a total of $3,489,516. Mr. Judson said that practically all of these loans represented call loans to Directors who happened to be brokers, and are borrowing money on call in the usual course of business. All of these loans, Mr. Judson said, were fully secured by collateral which showed the usual margin of 25 per cent. in market value over the amount of the loans.

One of the chief officers of the Trust Company of America showed no hesitancy last night in admitting that the Bank Examiners had made an inspection of the Trust Company of America's loans. This officer said, as Mr. Judson had previously, that the reason for the examination was to investigate reports of heavy loans to Mr. Morse and Mr. Barney. He added that, as the statement by Mr. Judson showed, Mr. Morse had no loans whatever with the Trust Company of America. Mr. Morse, further, had no connection, direct or indirect, with the Trust Company of America, and, furthermore, the Trust Company of America was in no way concerned in any of Mr. Morse's ventures.

Bank Examiner Judson, it was learned after his examination of the Trust Company of America's loans, supplied to the trust company a certificate to the effect that he had found no loans whatever had been made to Mr. Morse and that the only loan to Mr. Barney was the $175,000 already referred to.

State of the Trust Company.

According to the statement of the State Banking Department, shown by the condition of the trust companies of the State of New York at the close of business on Thursday, Aug. 22, the capital stock, paid in in cash, of the Trust Company of America was $2,000,000; surplus on book values, less current expenses and taxes paid, $10,432,461; deposits, subject to check, not preferred, $42,267,731.

The total resources of the company were $77,003,464, divided as follows: Bonds and mortgages, $3,430,893; stock and bond investments, $13,330,101; loaned on collaterals, $42,529,208; other loans, including bills purchased, $5,029,303; overdrafts, $23,254; due from trust companies, banks, and bankers, not included in sum due from approved reserve depositories, less amount of offsets, $2,731,723; due from approved reserve depositories, less amount of offsets, $6,724,086; specie, $2,288,220; legal tender notes and notes of National banks, $232,505; cash items, $21,961; other assets, $163,177.

The total liabilities were $77,003,464, divided as follows: Certificates of deposit, not preferred, $5,351,447; amount due to trust companies, $1,514,481; amount due banks and bankers, $7,862,002; due savings banks, $2,052,122; due savings and loan associations, $65,252; due as executor, guardian, administrator, &c., $5,088,831; other liabilities, $140,005.

Surplus and undivided profits on market values of stocks and bonds, less current expenses and taxes paid, $10,227,522; surplus on basis of book values after charging and crediting accrued interest not entered on books, $10,505,001; surplus and undivided profits on market values, after charging and crediting accrued interest, $10,801,019; total amount of deposits on which interest was being paid on that date, $50,012,363.

ENDED HER LIFE IN THE OCEAN

Mrs. Schubert Jumped Overboard from the Steamer Manitou.

BOSTON, Oct. 22.—The suicide of Mrs. Cristopher Schubert, who was on her way from Germany to Philadelphia, from the steamer Manitou, was reported upon the arrival of the steamer here to-day.

The woman, who was in a highly nervous state, jumped overboard on Oct. 11, when the Manitou was one day out from Antwerp. Mr. Schubert is a Philadelphia tailor.

[illegible] Morgan and his associates was that the company's capital and surplus were impaired, and that Mr. Morgan did not care to assume the responsibilities of previous poor management.

Attorney General's Hopefulness.

On the other hand, Attorney General Jackson, after a conference with Acting Superintendent of Banks Skinner, which lasted until 1 o'clock this morning, made the announcement that he would take no step to close the Knickerbocker Trust to-day, even if it did not resume payments. Mr. Jackson said:

"I am fully confident that the officials of the company are able to raise money enough to pay all demands."

Mr. Jackson arrived at the Murray Hill Hotel at 10:30 o'clock and there met three members of his staff and Acting Superintendent of Banks Skinner, with three of the latter's chief examiners. They immediately went to Parlor H on the ground floor and went over the situation at length. When the meeting broke up at 1 o'clock the Attorney General said he had gone over the situation thoroughly with Mr. Skinner, and was of the opinion that the Knickerbocker Trust Company would be able to resume business to-day.

"I understand," he said, "that the Directors are in conference to-night, and I expect that they will be able to get assistance which will make it possible for them to open. I consider the situation hopeful. There is no occasion for hysteria."

When asked directly if he would institute insolvency proceedings if payments to depositors were not resumed this morning Mr. Jackson replied that he had already said he fully expected the company would resume payments in the course of the day. He was then asked if he would close the institution if payments were not resumed to-day.

"No," said Mr. Jackson, "I shall give them a fair opportunity to do what they can. I am fully confident of the ability of the company to raise money to pay all demands that may be made upon it."

Earlier in the day—at 1 o'clock in the afternoon—the Knickerbocker had been forced to close its doors after a run upon it by many hundreds of its customers and the withdrawal of $8,000,000 cash. It is understood that the closing followed the payment of $1,500,000 demanded by one institution.

In spite of the strenuous efforts made by the Directors of the company at the all-night meeting on Monday night at Sherry's, following President Barney's abrupt resignation and the refusal of the Bank of Commerce longer to clear for the Knickerbocker, the measures finally adopted, including the attempt to raise a $15,000,000 guarantee fund, were unsuccessful.

What J. P. Morgan Said.

The closing of the bank, which some Directors still hoped up to a late hour last night was only temporary, although such hopes were entirely abandoned by other Directors, led to complete demoralization upon the Stock Exchange, where Mayer & Co. went down and prices crumbled without resistance under an avalanche of selling orders. It necessitated the formation of a big money pool by the leading Clearing House banks, helped out by the loaning of $4,000,000 of Government money, brought Secretary of the Treasury Cortelyou hurriedly to this city, and led at once to conferences of Knickerbocker officers and the leading bankers of New York at Morgan & Co.'s offices, with Mr. Morgan presiding. The sole aim was to devise immediate plans to meet the situation thus created.

When Mr. Morgan left his office late in the evening at the close of this gathering he made this statement to the waiting reporters:

"We are doing everything we can, as fast as we can, but nothing has yet crystallized."

Asked whether any outside efforts were being made to enable the Knickerbocker Trust Company to resume Mr. Morgan said:

"I don't know anything about that; I am not talking about that."

Those present at the conference at

nding trouble which perco- the district.

atmosphere caused a gen- tanding when the failure of as announced which, had it kly corrected, might have ast moments of trading all ose supporting the market. n Talbot announced from nange rostrum the suspen- & Co. the crowds on the y hanging on his words. ime nt of one of the in d houses in the

n had hardly ceased speak- was a wild rush for the l anxious inquiries were irmation of the news. It oment for the frightened lize their mistake and to correctly, but the strain in ill long be remembered.

Issues a Statement.

the Knickerbocker Trust unced the temporary sus- ments early in the after- tors of the institution were to consider the serious occurred in the affairs of pany. This meeting was o'clock, but some difficulty getting the Directors to- y did not convene until 4 eeting was in session until in the evening. Acting ndent of Banking George called into the Directors' informed regarding the e company being able to t. A short time after the s statement was issued by om the State Examiners' adway:

about 4 o'clock, having re- assurance for help for the rust Company, I conferred y General, telling him that were not hopeless, they were condition that I thought he ed to act at any time. At n communicated with him, mprehensive a statement as the telephone. I have also tement made to him from the e State Banking Department

ker Trust Company is not t it may still receive ade- financial institutions. If it its doors as usual, if it does en its doors in the morning shall act under the advice of ral, who is made by law the he Banking department.

t revealed officially how dition of the Trust Com- as supplemented by state- nls of the Knickerbocker cluding bankers who took n Monday night's efforts nstitution, to the effect onceivable that the Trust l be able to obtain the To was added the in bability the At- wo due course ask for Knickerbocker. ctors of the company said sent the management of ould in every way further ction which would doubt- best interests of deposi- olders alike, provided the was not able to open to- is Director admitted there no hope.

ectors said that while the itself might apply for a ile an individual depositor on to this end, the trust en advised that an action General would supersede actions and that therefore he appointment of a re- s the management of the was concerned, would be ney General.

most Abandoned.

e that Supt. Skinner was ement the Directors, upon t of their meeting, which trust company's offices, y, authorized this state-

this has been done by the of- rs to meet the extraordinary esources of the company, but erstood that no trust company ld assets at all times to meet he greater part of its depos- tors are confident from the the Acting Superintendent of day that the resources of the ore than sufficient to pay all

in the Directors' state- tement issued by Supt. with an earlier statement h the Superintendent is- Directors' meeting. In tement he had said that mination of the trust com- hat it was entirely solv- that he felt sure the trust l go on meeting the de- if it were successful in onal cash. In the second more hopeful condition to have changed to one perintendent described as

s of the Knickerbocker y individually, it was day, agreed at Monday to guarantee borrowings mpany on its assets from itions. These individual as as $500,000, one ling guarantee that nu f other Directors ara from $100,000 to ite those guarantees, how- company found it impos- he cash it needed. One of so was called into Monday nce said yesterday that the received in the course of gs of $2,000,000 or $3,000,- ffers were not accepted for t they were not sufficient cessities of the case.

t this relatively small sum vas made available to the Trust Company yesterday, its own cash resources, hock to the financial com-

Auerbach, a leader and Director, had been made Chairman of a committee, which in the event of the final closing of the company's doors, would devise a plan along the lines of that followed by the Real Estate Company of Philadelphia to care for the Knickerbocker situation. In the event of its liquidation under such a plan the Directors had hope that even more than one hundred cents on the dollar would be realized.

Day Conference Abortive.

The trust company representatives who attended Monday night's conferences again got together yesterday, but with practically no more result than followed the smaller conference at Sherry's on Monday night. Yesterday's gathering was a formal meeting of the Trust Companies' Association, which convened at the Downtown Club at 3 o'clock in the afternoon at the call of John E. Borne, Chairman of the Executive Committee of the Trust Company of America and President of the Trust Companies' Association.

The chief fact in the estimation of the financial community about this conference of trust company representatives, as about the smaller conference of Monday night was that very few of the larger trust companies were represented at either meeting. Institutions like the Union Trust, the United States Trust, the Farmers' Loan and Trust, the Central Trust, the Manhattan Trust, and the Bankers' Trust Companies were all conspicuous absentees.

About twenty-five trust companies were represented at yesterday afternoon's meetings, but so far as is known the only large trust companies represented, outside of the Knickerbocker Trust, were the New York Trust Company and the Trust Company of America.

A. Foster Higgins, who was elected President of the Knickerbocker Trust Company on Monday, too late to be of practical service in preventing the suspension, attended the meeting at the Downtown Club, but left it before it was over.

On his return to the office of the Knickerbocker Trust he said to the reporters gathered there that he had just come from the trust company meeting, but that no one there seemed disposed to help anybody. They were all looking after their own position, he said, and were not doing anything to help others. This was practically admitted by officers of the Trust Companies Association, who said that in the present crisis in financial institutions they were in need of all the cash they held. The trust companies, as a body, he said, were willing to do what they could to help the Knickerbocker, but they were likely to do so only if other interests shared in the movement.

Helping Committees Appointed.

What was done at the meeting was the appointment of two committees, one to consider means of helping the Knickerbocker Trust Company, and the other to formulate plans for the establishment of closer inter-relationship between trust companies. The latter committee was appointed to consist of John E. Bourn, Chairman; Otto Bannard, President of the New York Trust Company, and D. A. Morrison, President of the Washington Trust Company. The committee appointed to deal with the Knickerbocker Trust securities was composed of George W. Young, Otto Bannard, and Otto Kelsey.

A member of one of the committees appointed yesterday frankly admitted that to him any attempt to enable the Knickerbocker Trust Company to resume was hopeless. As one of the conferrees of Monday night put the matter, if the Knickerbocker Trust Company were to attempt to resume payment it would lose in two hours twice the $8,000,000 it lost yesterday.

The actual cash resources the Knickerbocker Trust Company had yesterday consisted of about $3,500,000 and $5,000,000 which it had on deposit with banks. Nearly all of the latter was used up in making good the $4,000,000 balance which the company had to pay to the Clearing House yesterday, this being included in the $7,000,000 debit balance returned against the National Bank of Commerce which, until the close of clearings yesterday, represented the Knickerbocker Trust Company in the New York Clearing House.

NEW AMSTERDAM MEETING.

Good Showing Made—Louis Stern Denies Report He Is to Head Bank.

A report was current yesterday that several of the Directors of the New Amsterdam National Bank were to turn over their stock in the bank to Louis Stern of Stern Brothers, who was to take charge of the bank. Joseph D. Carroll of Fiss, Doerr & Carroll, the horse dealers, was mentioned as one of those who would like to step out.

Mr. Stern was a Director of the bank for some time. He presented his resignation to the board three weeks ago, but it has never been accepted. While he would not confirm the rumor, Mr. Stern admitted to a TIMES reporter that he had heard of the plan before.

"I do not mean to say," he added, "that I have been approached with such a proposition or anything of that kind, but I have heard of this. I consider, however, that I am off the board. I resigned three weeks ago. As to whether my resignation has been accepted I do not know, for I have not attended a board meeting since I resigned."

"Will you say what your decision will be if such a proposal is made to you?" he was asked.

"No, I cannot do that," said Mr. Stern, "for I do not know what my acceptance would involve."

F. W. Kinsman, Jr., President of the New Amsterdam, denied that any such plan was being discussed by the bank management. Mr. Carroll said he had not heard of the plan before.

"I have not been asked to resign, nor have I any intention ...

PAYS OUT $8,000,000 AND THEN SUSPENDS

$1,500,000 Hanover National Check Closes the Knickerbocker Trust Co.

SHUT UP AFTER PAYING IT

Downtown Main Bank and Fifth Avenue, Harlem, and Bronx Branches Had Stood a Morning Run.

The Knickerbocker Trust Company, after opening yesterday morning its main banking office at 66 Broadway, its main branch in Fifth Avenue and Thirty-fourth Street, and its two smaller branches in Harlem and the Bronx, suspended payment in all four institutions at 12:30 o'clock P. M. In that time a total of $8,000,000 was paid out to depositors, $4,000,000 in cash and $4,000,000 paid through the Clearing House.

There were runs at all the banks, main and branches, and when they closed simultaneously on orders from the officials at the main office, there were many persons still in line waiting to draw their money. Police reserves were sent to each place, but aside from preventing crowding and pushing, the police had no disorder to suppress.

The checks the payment of which led immediately to the suspension of the Knickerbocker Trust Company, were checks for $1,500,000 presented at the Brooklyn office by the Hanover National Bank. The paying teller handed out this money, and immediately closed down his window. There was still some cash left in the paying teller's cage, but the officers had realized by that time that needed help was not forthcoming, and suspension was the only recourse.

One Big Bank Just Too Late.

Within three messengers of the Hanover Bank's runner, who was the last man to get money out of the Knickerbocker yesterday, was a runner for another large National bank, who held a large stack of checks drawn on the Knickerbocker. The banks who had messengers in the long line had been sending large batches of checks in relays. The messenger of this bank, who was a little too late to get his cash, had in this way been charged with the collection of several hundred checks. His long wait and relay of messengers from the banks were of no avail.

Soon after the run began a messenger from a brokerage house who presented a large check was persuaded by a Knickerbocker Trust Company employe that the firm which the messenger represented certainly did not intend to have the check presented for payment in cash.

The messenger was persuaded that perhaps he had made a mistake and went back to his employer for instructions. It was said that the place he got in line upon his return to the Knickerbocker Trust Company left him among the large number of messengers who were turned away after the tellers closed their windows.

What cash was left in the downtown bank remained in the tellers' cages until 7 o'clock, when it was put back in the vaults.

The announcement that the trust companies as a body, backed by J. P. Morgan & Co., had pledged assistance to the Knickerbocker Trust Company, and the statement by the company's own officers that they were prepared to meet depositors with a fund of $8,000,000 in cash from its own vaults and more from its friends if need be, had reassured those with funds intrusted to the company who read the news on their way downtown. The run on the downtown branch in the Manhattan Life Building, at 66 Broadway, was of gradual growth, and when the paying tellers drew their curtains at 10 o'clock there were scarcely more than half a hundred depositors in line, and these from their appearance were mostly the holders of small accounts.

Line in Crowd Grows.

First at the office in the morning was a young woman in black, who, apparently, unaccustomed to banking practices, expected to find the tellers at work at 9 o'clock. She paced nervously up and side and were besieged by business men of their acquaintance demanding personal assurance that their money was safe. The first word the crowd in the lobby had from the company officially came when Vice President Benjamin L. Allen announced from the door:

"There is no cause for worry. There is plenty of funds on hand."

Reassurances from Directors.

Shortly afterward a typewritten announcement was sent out from the conference of Directors and was pasted up on the door of the banking room. It read:

> An examination of the Knickerbocker Trust Company was made by the State Bank Examiners on Sept. 17. Their report showed that the Knickerbocker Trust Company had on that date good assets to the amount of $68,884,622, with liabilities of $63,701,532, giving it a surplus of $5,182,090.

Directly under this appeared the following, signed by George I. Skinner, Acting Superintendent of Banks, and M. W. Hutchins, Chief Examiner:

> In my judgment, based on the examiner's report and recent conferences at the office of the company, the Knickerbocker Trust Company is not only solvent, but has a large surplus and a well-established earning capacity. Unusual and inconsiderate withdrawals will only tend to embarrass the institution.

About this time the crowd of depositors and messengers from brokerage houses, sent to report on the situation, filled the lobby to the doors. A small overflow on Broadway promised to draw an increasing crowd, and half a dozen policemen from the John Street Station were sent down to keep order. The sidewalks in front of the American Express offices across the street were crowded with a small mob. At half past twelve the paying tellers closed their windwos, and the announcement was shouted through the doorway of the banking room that payment would be temporarily suspended until more cash could be secured and that it was hoped to resume in the afternoon.

It was not until then that the waiting crowd began to fear that they might not get their money. Up to that time the crowd had been calm, and, in fact, somewhat sheepish. The words from the doorway had been imperfectly understood, and when the banking office was shut against them those waiting in the lobby gathered in excited groups, demanding of each other what was meant.

Crowd Stays After Bank Closes.

For an hour after the doors were closed most of the depositors kept their formation hoping that the cash would come. Others clamored at the locked doors of the executive offices for news, and a small mob fought for position in front of the statement from the Banking Department to learn if it had bearing on the situation. Before 3 o'clock word was passed along the remaining line that all hope of payment must be deferred until the morning. But many of the depositors persevered until the close of banking hours.

The depositors took their long wait philosophically for the most part, but as the hours wore on some showed their impatience, one man who had been among the first in line complaining bitterly at the slowness of those ahead of him counting their money. "Every half hour," he said, "is costing me five dollars. I have got to get cash for the Clearing House and I am fined for each half hour's delay."

The patient ones passed the time in discussion of what they would do with their cash when they got it. Many agreed that there were bargains to be picked up in the stock market. Others favored city bonds, and, no doubt, a great deal of the buying of these securities on the Stock Exchange was with cash paid out over the Knickerbocker's counters.

Some men confided to their neighbors their opinions as to what institutions offered the securest depository for their funds. A prosperous-looking depositor, who might have been a professional man, announced to the next in line that he came from Rahway. "I know something about the bank in my town," he said. "I know the officers, and I am going to take my money there."

There was little disposition among those who filled the Knickerbocker lobby to criticise the New York banks as a whole or to express apprehension of the situation generally. Whatever blame was heard was mild in tone, but bitter words were spoken of speculation and promotion schemes.

AT THE FIFTH AVENUE BRANCH.

Over a Million Paid Out There—Big Depositors Stand by Bank.

While a line of depositors was waiting for their money in the Knickerbocker Trust Company's principal branch at Thirty-fourth Street and Fifth Avenue at 1 o'clock yesterday afternoon, Vice President William Turnbull, who was in active charge of the affairs of the company there, turned to the reporters in his office and said:

"A certain person in a high place in this country, who doesn't know what credit is, and who has done his best to destroy it, began months ago to make assaults upon it. The snowball seems a little thing when it is started. Last night we were all right, and had assets far ahead of our liabilities. We could not foresee this. To-day we paid out more than $1,000,000 in two and a half hours.

tions in the officers' rooms, and then Higgins hurried downtown again.

But as fast as a depositor went out the place ten people and more came a ing for their money, and the police of West Thirtieth Street Station were as to send some men to keep order on avenue in front of the building. The tr fic policemen had as much as they co handle with the fast gathering vehic of the well-to-do and fashionable patro At 12:35, when the building was fairly sieged by anxious and excited people President Joseph T. Brown announ from the entrance to his office that more payments would be made that d "Payments of checks will be probal resumed in the morning," he added.

"Louder!" came the call from a nu ber of men who did not hear all that said.

"The company is solvent," added Brown as he retired to his office.

Then the tellers closed their windo Those within the building still asked their money, and a horde of bank m sengers harried the officials with quer as to the payments they were sent to mand.

Flood of Checks Took Great Su

The flood of checks through ot banks was evidently the cause for closing down of the bank at that mome

A check from the Farmers' Loan Trust Company for $100,000 was offe too late by a messenger from that in tution. There was another from the Tr Company of America for $27,000, anot for $23,000 from the Produce Exchan Bank, another from the Bank of N York for $20,000, another from the N tional Park Bank for $50,000, another fr the New York Trust Company for $8,0 and another from the Fifth Avenue Ba for the same amount. They were all clients of these banks who had depos with the Knickerbocker Trust Compa and who sought to collect them throu the other institutions. Despite the fa that these checks were not met, Mr. Tu bull said that nearly $5,000,000 had b paid through exchanges during the cou of the morning.

These Left Fortunes in the Ban

There were other people confident seeing the Company safely through troubles. Nearly $500,000 was deposit before the officials were instructed fro downtown to decline further deposi Two large depositors, one for a milli and the other for $700,000, made no effo to withdraw their money.

Five-Day Rule Enforced.

When the supply of money began dwindle under the heavy calls of th larger depositors the officials decided take advantage of their clause requiri five days, if desired, for the payment certificates of deposit. About half th business is done by these certificate they giving a little added interest to th depositors. This cut off a part of th drag on the cash supply, but not for lon The certificate holders gave way to oth ers who had open accounts, and th pressure against the immediate resourc was resumed until the telephone messag from 66 Broadway came instructing th cessation of payment for the day.

"Something must have happened down town," said Mr. Turnbull. "It mean that we have the assets, but that we can realize on them just now to pay off ou liabilities."

"Will payment be resumed in th morning?" he was asked.

"I can't tell," he replied.

The outer doors of the building wer closed at 2 o'clock, but had to be fre quently opened to permit the exit patrons who had remained inside and ha been loath to leave.

IN HARLEM AND THE BRONX.

Nearly $1,000,000 Drawn Out o Knickerbocker Branches There.

Anxious depositors began to arrive at th doors of the Harlem Branch of the Knick erbocker, on the southwest corner of 125t Street and Lenox Avenue, before 8 o'clock By the time the officers of the bank ar rived fully 125 persons were clustered o the sidewalk in front of the bank. Th majority were women. When W. F.

Appendix

B

dent. One of them is to be designated by the President as Governor of the Federal Reserve Board, who will act as the active executive officer, and another as Vice Governor.

The measure also enacts that the Secretary of the Treasury, the Assistant Secretary of the Treasury, and the Controller of the Currency shall be ineligible during the time they are in office and for two years thereafter to hold any position in any member bank.

No member of the Federal Reserve [illegible] can be an officer or Director of [illegible] ok, trust company, or Federal re[illegible] ank, nor hold stock in any bank[illegible] stitution.

TEST FOR FEDERAL BOARD.

Success of New System Depends on Its Personnel, Is Chicago View.

Special to The New York Times.

CHICAGO, Ill., Dec 23.—John V. Farwell, President of the National Civic League, formed to conduct a campaign of education on the subject of the currency, considers the new law a good one. The league includes some of the best-known men in the United States and has one director from forty-two out of the forty-eight States. J. Lawrence Laughlin, financial expert and economist, is its Secretary.

"While the bill does not contain many of the provisions which the bankers and business men advised," said Mr. Farwell, "and includes some things they disapproved, it is much better than they hoped for.

"Such broad direct and contingent powers are given to the Federal Reserve Board that the success of the system will depend to a large extent on the personnel of that body. The first great requisite for one member of the board is that he should be a man of international reputation as a financier, so that confidence in the system will be world wide. The other appointed members should naturally be men of national reputation, and I believe we can trust the President to select the right ones."

Many of Chicago's National and State banks were preparing to come under the Federal reserve bank system in accordance with the terms of the new law. The matter will come before the stockholders at their meetings early in January.

Bankers, State and National, are all [illegible] that the new system should have [illegible] and no financier appears disposed [illegible] o critical.

John K. Mitchell, President of the Illinois Trust and Savings Bank, said.

"I feel we all should help to make it a success. If it is to be of any advantage to the State banks, of course, they will come in. The new system will not be of any particular advantage to our bank, as we do not carry large country balances or do much of a discount business. We will go in to help make a success of the business."

Chicago bankers are inclined to take an optimistic view of business now that the currency question is out of the way. They are practically unanimous in the belief that there will be marked improvement in conditions following the holidays.

Special to The New York Times.

DENVER, Col., Dec. 23.—Denver bankers are almost unanimous in the belief that the new Currency bill will be of great benefit to the business community, especially to the banking institutions, in spite of the fact that all of them regard the establishment of a central reserve bank as the best solution of the problem.

"I should say that the new law is 80 per cent. good," said John C. Mitchell, President of the Denver National Bank, "though I do not entirely agree with some of its provisions. If it is carried out according to its terms, we shall never have another panic, and its signing by President Wilson will do a great deal toward the restoration of confidence in financial circles and toward the stimulation of general business."

Charles S. Haughemut of the First National Bank said:

"The primary object of the bill is to diminish the chances of contraction in the money movement, and I believe that it will have that effect."

James S. Burger of the Hamilton National Bank said:

"I am a believer in the good effect the bill will have in the banking business, and that it will give a greater flexibility to our circulating medium—something that we have needed for many years."

CURRENCY LAW HITS PRIVATE BANKERS

They Will Not Be Eligible to Membership in National Bank Boards.

INCREASED LOANING POWER

$500,000,000 Additional Available in New York Banks Alone—Law Approved Here.

While general satisfaction with the Currency bill as finally passed was expressed here yesterday, one provision of it caused much discussion among bankers, who thought it calculated to make necessary the withdrawal from the Directorates of national banks of members who were partners in private banking houses. This would mean a considerable reorganization of the boards of many of the larger banks. The clause in question reads as follows:

Other than the usual salary or Director's fee paid to any officer, Director, or employe of a member bank and other than a reasonable fee paid by said bank to such officer, Director, or employe for services rendered to such bank, no officer, Director, employe, or attorney of a member bank shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of the bank.

Private banking houses which bring out issues of securities frequently sell them at a profit to banks, which are large purchasers, especially of short-term notes. Any member of the private banking firm would receive, as his share of the profits of the business, a "consideration in connection with the business of the bank," it was reasoned, and this would make him ineligible as a Director of the bank.

Provision Designedly Inserted.

This provision, like many others, went through several metamorphoses during the progress of the bill through the two houses and the conference committee, and its seeming effect in this regard was brought to the attention of the members of the Administration most largely interested in the legislation. According to the information of local bankers yesterday, those who brought up the point were informed that it was not only open to this interpretation, but that it was the intention of the Administration so to interpret it; in other words, that the provision was there with a distinct purpose to compel the retirement of private bankers from national bank boards.

The matter had received attention by the private bankers of Boston, the local bankers said, and members of several houses there expected to terminate their official connection with national banks in the near future. One such member, it was said, had already presented his resignation from the boards of banks of which he was a Director.

With the Currency bill finally passed and uncertainties as to particular provisions ended, bankers in this city were disposed yesterday to drop their criticisms and to turn their attention to points involved in the practical establishment of the system. Some time ago a special committee was appointed by the Clearing House to study the practical workings of the bill, but after considerable investigation had been done changes in the bill became so frequent that the committee postponed indefinitely the conclusion of its labors and its report to the Clearing House Association. It is expected that this committee will now finish its work on the basis of the actual provisions of the law, and that a full meeting of the association will be called to discuss the points involved. Frank A. Vanderlip, President of the National City Bank, is Chairman of the Committee, and his recent return from California, it is believed, will expedite the formulation of the report.

It has been apparent for some time that most of the national banks here would become members of the Federal reserve system, and this attitude has been strengthened by the changes made in the bill by the conference committee.

Jacob H. Schiff Is Gratified.

Jacob H. Schiff, who was one of the first to regard the bill with a kindly eye, said yesterday:

"I am very much pleased that the Currency bill is passed."

One of the practical points that came in for consideration yesterday was the reduction of the reserves required of banks in central reserve cities. Under the national banking law they are required to keep a reserve of 25 per cent. in cash in their own vaults. Under the new law they will have to keep only 18 per cent. of their demand deposits, including all deposits payable in thirty days or less, and 5 per cent. of time deposits running more than thirty days. Of this only a third need be kept in their own vaults. Seven-twelfths is to be kept on deposit in the Federal reserve bank, and the other five-twelfths may be kept either in vault or in the reserve bank.

There is little doubt that by the time the new system is in operation the reserve requirements of the New York Clearing House will have been modified to conform to the law. At present the requirement is 25 per cent. of the net deposits, and this provision was directly based upon the National Banking act. It was adopted soon after the enactment of that law. The records of the Clearing House do not show that any requirement on its part existed before that time. By mere analogy it is to be expected that the Clearing House will now reduce the requirements, just as they will be reduced by law, but aside from that the New York banks will want to take advantage of the increased loaning power given to them.

The aggregate net deposits of all bank members of the Clearing House at the end of last week were $1,281,559,000. On the present 25 per cent. basis, the required reserve was $320,389,750. No statistics are available of the amount of time deposits held by the banks, but they do not constitute a very large factor in either the national or State banks, as they do with the trust companies. Disregarding the reduction to 5 per cent. in the case of these deposits, the same reserve of $320,389,750 would suffice on a basis of 18 per cent., for deposits of $1,779,943,000, or $498,384,000 more than they had. In other words, it would make it possible for the banks to loan in deposit form practically $500,000,000 additional. This situation would, of course, be materially modified by withdrawals of deposits by interior banks, made necessary by changes in their own reserve requirements.

Increases Reserve Requirements.

As against this reduction there is an immediate effect in the direction of increasing the reserve requirements, or rather of reducing the extent to which their present funds may be counted as reserves. This is in respect to the fund now maintained in the Treasury Department for the redemption af national bank notes, which amounts to 5 per cent. of the circulation outstanding. Under the national banking act this 5 per cent. fund could be counted as part of a bank's reserve, but the new act specifically provides that this shall not be done hereafter. This clause takes immediate effect, and the result will be that the New York City banks cannot count as reserve the redemption funds maintained by them, which at the end of last week amounted to $2,338,000, and were included in their reserves. For the whole country the amount so removed from reserves, on the basis of the last reports to the Controller of the Currency on Oct. 21, is $35,808,000.

The distinction between demand and time deposits in the reserve requirements is likely, in the view of some bankers, to bring about a conversion of some portion of the deposits held by the banks, in order to take advantage of the reduction from 25 per cent. to a 5 per cent. reserve.

"Corporations that keep large accounts," said one banker, "might enter into agreements with their banks that they would not withdraw, say, 50 per cent. of their customary balances without more than thirty days' notice, which would make that 50 per cent. practically a time deposit. The bank [illegible] pay interest on this portion, for it [illegible] well afford to do so in view of the release of four-fifths of the cash now held against it. Commercial houses that borrow from banks on their [illegible] often make agreements to leave [illegible] of the proceeds—for instance, [illegible] on deposit." [illegible]

OWEN-GLASS BILL FRUIT OF 1907 PANIC

Aldrich Bill a Forerunner, but Its Authorship Helped Its Defeat.

WILSON CARRIED HIS POINT

Was Insistent Upon Government Control of Reserve Board, and Bankers Acquiesced.

The movement for banking and currency reform, which has now borne fruit in the enactment of the Owen-Glass bill, really had its inception in the panic of 1907 and the period of financial dislocation that followed it.

With a few exceptions the banks had managed to weather that storm, so far as the difficulties of an inelastic currency were concerned, by means of Clearing House loan certificates. These certificates, which had been resorted to in earlier times of stress, were based upon the assets of the banks that were in trouble, consisting largely of commercial paper, and this recourse, under the necessity that knows no law, has been instrumental in leading up to a point where commercial paper is to be made the basis of a national currency. This development has only followed the line of European experience, and the system is similar in principle to that of England, Germany, and France.

The point at which the present currency system broke down in 1907 was in the requirement that Government bonds must be deposited with the Treasury in order to obtain banknotes. There are just so many Government bonds at a given time, and the supply does not instantaneously increase the moment there is a stringency of currency. When the depositors of the banks demanded the return of their funds in the dark days of 1907, the banks were unable to oblige them.

Unrealizable Assets in 1907.

They were not insolvent. They had plenty of good assets, including millions of dollars' worth of commercial paper, most of it not yet due. There was no commercial paper market outside of the banks themselves, and their depositors would not accept these obligations of others, no matter how good they might be at maturity, in lieu of the currency to which they were entitled. It was impossible to turn the assets of the banks into currency, but the strain was relieved to some extent by agreement among the banks to take a sort of currency based upon these assets in settlement among themselves.

At the end of each day's clearinge some banks have credit balances and others debit balances, which offset each other. Those banks on which demands were heaviest, or of which the reserves had been drawn down to the lowest point, were enabled by agreement to take their paper to the Clearing House and obtain on its security Clearing House certificates, an ample margin of safety being retained, and all the paper being passed on by a committee of the shrewdest bankers in town. These certificates were made good in settlement of debit balances at the Clearing House and passed current among the banks, but not among the public.

Following the panic there was a widespread demand among bankers and business men for a reform of the system in such a way as to give elasticity to the currency by making it possible for the banks, without resort to extra-legal methods, such as the issue of Clearing House certificates, to obtain currency on the security of their short-term assets. Even before the panic, in the early months of 1907, efforts at legislation had begun with the introduction of the Aldrich and Fowler bills, but the country was not ready then or for a long time afterward to give its serious attention to the problem.

In the Winter after the panic Senator Aldrich again sought remedial legislation, while in the lower house proposals of a radically different nature were brought forward. It proved impossible in the state of public opinion at that time to make any thorough-going reform, and in the end only an emergency measure was passed, and that after a bitter fight and a long deadlock. It was in the effort to defeat this Aldrich-Vreeland bill that [illegible] a new record for a filibustering speech that covered parts of several days.

Vreeland Bill a Dead Letter.

The Aldrich-Vreeland bill, which was afterwards re-enacted, is still on the [illegible] never been put to tion, but the country would have [illegible] of it. More than a year ago it b[illegible] patent even to its sponsors that [illegible] as dead as Julius Caesar.

Then came the national electi[illegible] 1912, and the Republican Party, [illegible] had favored the bill to some exten[illegible] swept out of power. The trium[illegible] Democracy had been elected on a [illegible] form drawn by William J. Bryan, [illegible] specifically denounced the Aldric[illegible] and the plan for a central ban[illegible] recognized, however, the necessi[illegible] currency reform and the existenc[illegible] public sentiment for it, which ha[illegible] fostered and developed by the N[illegible] Monetary Commission, if it ha[illegible] complished nothing else. In fa[illegible] ground was prepared by the comm[illegible] for the legislation that has just [illegible] enacted, and the Owen-Glass bi[illegible] tains some of the principal featu[illegible] the Aldrich bill, described in p[illegible] almost the same language.

Wilson's Call for Currency Re[illegible]

President Wilson was not slow [illegible] phasize the duty of the Dem[illegible] Party in the direction of curre[illegible] form and made it, with tariff r[illegible] the function of a special ses[illegible] Congress which he called to m[illegible] April 15. The two subjects wer[illegible] related not only by the press[illegible] mand for both, but by the Pre[illegible] conviction that the need of an [illegible] currency was quite likely to mak[illegible] felt upon the enactment of a new [illegible] which might unsettle business [illegible] tions, at least in some industri[illegible]

The leading bankers, feeling th[illegible] association had shared in the [illegible] larity accorded to the Aldrich [illegible] cided to remain discreetly in th[illegible] ground until the Administration [illegible] have formulated its ideas, and [illegible] cutive Committee at its meet[illegible] Briarcliff last Spring contente[illegible] with offering its services to [illegible] and declaring for legislation co[illegible] with that on the tariff. The [illegible] Commission of the associat[illegible] meeting in the meantime, and [illegible] not until the bankers individu[illegible] been asked by a sub-committe[illegible] Senate Finance Committee to [illegible] their views in answer to a s[illegible] questions that the commissi[illegible] called together at Atlantic Ci[illegible] in the Summer.

It so happened that while the [illegible] sion was in session a draft of th[illegible] bill, which had been prepared [illegible] vate, was published. It provided [illegible] Aldrich bill had, for currency b[illegible] commercial paper, and this in t[illegible] of the bankers was good. But [illegible] of a central bank it provided [illegible] series of regional banks, loosely [illegible] together by a Federal Reserve [illegible] thus diluting the concentration [illegible] serves which was felt to be a [illegible] safeguard against panic. This [illegible] Reserve Board, while in a sense [illegible] tral bank under another name, [illegible] tinct from that provided for by t[illegible] rich bill in that the board had [illegible] to operate and no mechanism [illegible] and keep the central organization [illegible] ive touch with the banking func[illegible] the country. Instead of being u[illegible] control of bankers, as in the [illegible] plan, it was to be constituted o[illegible] cal appointees, three members [illegible] Cabinet, and the other four n[illegible] the President, only one of wh[illegible] required to be a man of banking [illegible] ence.

Bankers Fought the Glass [illegible]

While the banking principles [illegible] bill were similar to those of the [illegible] plan, these changes were stro[illegible] sisted first by the Currency [illegible] sion, then by a conference of [illegible] from all parts of the country, an[illegible] ly by the convention of the A[illegible] Bankers' Association at Boston [illegible] ber.

The Administration stood firm [illegible] ever, on the principle of Gover[illegible] control, and the bankers came [illegible] that it was useless to oppose th[illegible] ure. They continued their ob[illegible] however, to a purely political b[illegible] the compulsion on the national [illegible] of joining the system and sub[illegible] capital of the reserve banks or [illegible] to be national banks, and to th[illegible] of the new notes "purporting [illegible] Treasury notes" and redeemabl[illegible] Government. Many other pr[illegible] that were considered unsound f[illegible] abstract banking standpoint w[illegible] attacked, and of these a good [illegible] have been corrected.

No heed was paid to the more [illegible] objections, and the opposition [illegible] bankers in the last few weeks [illegible] come listless because hopeless. [illegible] the bill was under consideration [illegible] Senate something of a sensati[illegible] occasioned by the presentation [illegible] entirely new plan by Frank A. [illegible] lip of the National City Bank [illegible] called for a central bank, un[illegible] Governmental control, owned [illegible] public through subscription to it[illegible] Despite the support it gained, t[illegible] gestion came too late, and P[illegible] Wilson let it be known that the [illegible] Glass bill, in its structural f[illegible] would not be changed.

Banks Accept the Inevital[illegible]

There was a change in bankin[illegible] [illegible] ment, too, after the Boston con[illegible] and those bankers said in [illegible] they would be content to accept [illegible] as having good features, far out[illegible] ing the bad ones, to which ex[illegible] had been taken. Some of the ban[illegible] had fought the bill hardest, see[illegible] it was foreordained by the Adm[illegible]

WILSON SIGNS CURRENCY BILL

Continued from Page 1.

tion Committee would be composed only of the Secretaries of the Treasury and of Agriculture and the Controller of the Currency [illegible] These men [illegible]

for Owen said, "to avoid making the bill a party measure. But I found it was impossible. The Republicans made it a party measure first, lining up solidly on one side with a single Democrat. When I saw that as a non-partisan measure nothing could be accomplished, I did the only thing left to do. I made it a party measure, and the results have justified me. In conference, if Democrats had joined with Republicans to vote down their colleagues, I would have considered it an act of party perfidy."

The vote was taken at 2:30 when Mr. Owen ended, and the engrossed bill was rushed to the House for the Speaker's signature. Before it returned the Senate had [illegible]

This provision, like many others, went through several metamorphoses during the progress of the bill through the two houses and the conference committee, and its seeming effect in this regard was brought to the attention of the members of the Administration most largely interested in the legislation. According to the information of local bankers yesterday, those who brought up the point were informed that it was not only open to this interpretation, but that it was the intention of the Administration so to interpret it; in other words, that the provision was there with a distinct pur- p[illegible] compel the retirement of private [illegible] from national bank boards.

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The vote was taken at 2:30 when Mr. Owen ended, and the engrossed bill was rushed to the House for the Speaker's signature. Before it returned the Senate had agreed to the House resolution providing a recess until noon of Ja[illegible], and had gone into executive s[illegible]

[illegible] ll was received in secret session [illegible] Vice President signed it before the doors were open. Adjournment was taken with the doors still closed, and when they were thrown open it was found that only four Senators remained on the floor. Most of them had already caught trains for home. Speaker Clark placed his signature to the enrolled parchment copy of the Currency bill at 13 minutes to 3 o'clock, in the presence of the House.

After its late session of last night the House had taken an adjournment until 2.30 o'clock this afternoon to await the acceptance of the conference report by the Senate. When it met the action of the Senate had not been "messaged" over to the House and a recess was taken until 3 o'clock. While the House was in recess the bill, in its final enrolled form, bearing the signature of Vice President Marshall, was received at 13 minutes to 3 o'clock. As the House had recessed until 3 o'clock orders were given to employes to turn the hands of the clock over the Speaker's desk forward twelve minutes, to make the time 3 o'clock, and the enrolled copy of the bill was then signed.

Clark Congratulates Country.

Speaker Clark, after signing the bill, issued a statement as follows:

"Most assuredly the country is to be congratulated on the fact that, at last, the Currency bill is upon the statute books; for in such matters of great pith and moment, it is the uncertainty that hurts—even where a bill might be the sum total of human wisdom on any particular subject. Now, all men of intelligence will know very soon what the Currency bill contains and what it means, and can conduct their affairs accordingly.

"My own judgment is that it will be satisfactory to the country in a high degree—at least I hope so. The fact that a large number of Republicans and Progressives voted for our bill is proof positive that the country is well pleased with the bill

"So many of them so voted that it may not improperly be denominated a non-partisan law. We certainly have ample cause for self-congratulation that in nine months we have passed a bill [illegible]ing all the tariff schedules and a [illegible] oroughly revising and overhaul[illegible] ur currency system—presenting [illegible] fair and so wise that even political partisanship gave way to such an extent that many Republicans and Progressives voted with us.

"Our two bills are excellent samples of constructive legislation. The tariff bill is working well, and now that the uncertainty as to the Currency bill is removed, I hope and believe that the country is entering upon a long period of prosperity.

"Everybody in any way responsible for these two bills is to be congratulated on the results."

[illegible] tor in either the national or State banks, as they do with the trust companies. Disregarding the reduction to 5 per cent. in the case of these deposits, the same reserve of $320,380,750 would suffice on a basis of 18 per cent., for deposits of $1,775,943,000, or $498,384,000 more than they had. In other words, it would make it possible for the banks to loan in deposit form practically $500,000,000 additional. This situation would, of course, be materially modified by withdrawals of deposits by interior banks, made necessary by changes in their own reserve requirements.

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"Corporations that keep large accounts," said one banker, "might enter into agreements with their banks that they would not withdraw, say, 50 per cent. of their customary balances without more than thirty days' notice, which would make that 50 per cent. practically a time deposit. The bank could pay interest on this portion, for it could well afford to do so in view of the release of four-fifths of the cash now held against it. Commercial houses that borrow from banks on their paper often make agreements to leave some part of the proceeds—for instance, 20 per cent. —on deposit, and these balances could readily be put in the form of time deposits, with the advantage of a lower reserve."

It probably will be necessary, under the new rules, for the Clearing House to accept checks on the Federal reserve bank in payment of debit balances at the Clearing House, as the amount of cash the banks will be required to keep in vault may at times be insufficient for the purpose in the case of those institutions that handle large transfers of funds at various times. It is not unusual for a bank with $100,000,000 deposits to have a balance of $10,000,000 against it after the day's clearings. It would be required to have only $6,000,000 cash in vault, and, if it had no more than required, would fall far short of enough cash to meet the debit at the Clearing House. It would have at least $7,000,000 in the Federal reserve bank, however, and could draw on this by check.

EXPECTS BUSINESS REVIVAL.

Irving T. Bush Sees the Beginning of a Cycle of Prosperity.

Certainty that the new currency law will result in a healthy revival of business and, in general, work great good to the country's international relations was expressed last night by President Irving T. Bush of the Bush Terminal Company. He returned from an extensive trip through Europe on Monday, where he studied the financial and commercial situation. Mr. Bush, who headed the currency agitation of the Merchants' Association and was associated with other bodies in similar movements, says that he has unlimited faith in President Wilson's ability to steady every wavering prop in the commercial and economic structure.

"With the signing of the Currency bill by President Wilson I become an optimist," said Mr. Bush. "This does not mean that we may expect a great expansion of American business to-morrow or next week, but it does mark, in my opinion, the beginning of the next cycle of national prosperity. Tariff uncertainty is over, and the currency measure, after the proper establishment of the system, will put this country in a position to take its place as an international money power and will give us a financial machine which will make us as nearly independent of foreign countries as it is possible for any nation to be.

"We do not want a boom here, but we hope for a restoration of normal conditions and an opportunity for American industry to expand. President Wilson has given the country what it has clamored for—a real revision of its tariff laws—and has been the first President to appreciate the vital importance to the future prosperity of this country of an adequate banking and currency system. A man who has carried through in less than ten months these two great measures can be trusted to inaugurate a sane and intelligent general legislative programme which will not injure legitimate business."

The bookkeeper who secured a good position [illegible] THE NEW Y[illegible]

[illegible] oblige them.

Unrealizable Assets in 1907.

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In the Winter after the panic Senator Aldrich again sought remedial legislation, while in the lower house proposals of a radically different nature were brought forward. It proved impossible in the state of public opinion at that time to make any thorough-going reform, and in the end only an emergency measure was passed, and that after a bitter fight and a long deadlock. It was in the effort to defeat this Aldrich-Vreeland bill that Senator La Follette made a new record for a filibustering speech that covered parts of several days.

Vreeland Bill a Dead Letter.

The Aldrich-Vreeland bill, which was afterwards re-enacted, is still on the statute books, but has never been put to use, partly because no such crisis as that of 1907 has since arisen, and partly because its machinery is cumbersome and its restrictions rigid. In a general way, it was intended to provide the element of elasticity that was lacking in the national bank note currency. There was no effort to displace that currency, but to superimpose an additional element which should be elastic in the fullest sense—that should come into being when occasion arose, and that should automatically be canceled through the imposition of a tax which should prevent it from being kept out after the need had passed.

This was followed up by provision for the appointment of a National Monetary Commission to make a comprehensive study of European systems and to test the theories of experts in this country and abroad with a view to devising an entirely new system. With the Aldrich-Vreeland act as a safety valve in case of a sudden crisis, the plan adopted was to proceed calmly and at leisure to formulate the best possible scheme. It was also recognized that a great part of the work of the commission would be to arouse an intelligent public interest in the subject and to obtain the support of the business men of the country, who were the greatest sufferers on the panic.

Many months were spent in investigations, many volumes of information were published, and much was done through public meetings and the press to cultivate public sentiment. Senator Aldrich was Chairman of this commission and continued in that capacity after his retirement from the Senate. It was his avowed ambition to become the father of a modern banking and currency system for this country.

The Aldrich Bill Killed.

The report was finaly submitted to Congress with proposed legislation which took the name of the Aldrich bill. This in itself was unfortunate for the cause of currency reform, inasmuch as Senator Aldrich was regarded as the very flower of that school of political thought against which the tide of progressivism had already for some time been rising. The bill was fought, regardless of its merits, because it was the Aldrich bill. It was fought also on its merits because of its proposal for a central bank, against which were raked up all the sins of the first and second banks of the United States and the abuse of power for political ends with which their names were connected.

The thing above all others that killed the Aldrich bill was the pronounced sentiment of the public against not only a central bank, but a central bank managed and operated by the bankers of the country. It was also attacked as unsound because it permitted the banks to hold as reserve money the very notes that were to be issued against their assets.

The American Bankers' Association, [illegible]

[illegible] together by a Federal Reserve Board, thus diluting the concentration of reserves which was felt to be a strong safeguard against panic. This Federal Reserve Board, while in a sense a central bank under another name, was distinct from that provided for by the Aldrich bill in that the board had no bank to operate and no mechanism to bring and keep the central organization in active touch with the banking functions of the country. Instead of being under the control of bankers, as in the Aldrich plan, it was to be constituted of political appointees, three members of the Cabinet, and the other four named by the President, only one of whom was required to be a man of banking experience.

Bankers Fought the Glass Bill.

While the banking principles of the bill were similar to those of the Aldrich plan, these changes were strongly resisted first by the Currency Commission, then by a conference of bankers from all parts of the country, and finally by the convention of the American Bankers' Association at Boston in October.

The Administration stood firm, however, on the principle of Governmental control, and the bankers came to see that it was useless to oppose this feature. They continued their objections, however, to a purely political board, to the compulsion on the national banks of joining the system and subscribing capital of the reserve banks or ceasing to be national banks, and to the issue of the new notes "purporting to be Treasury notes" and redeemable by the Government. Many other provisions that were considered unsound from an abstract banking standpoint were also attacked, and of these a good many have been corrected.

No heed was paid to the more general objections, and the opposition of the bankers in the last few weeks had become listless because hopeless. While the bill was under consideration in the Senate something of a sensation was occasioned by the presentation of an entirely new plan by Frank A. Vanderlip of the National City Bank. This called for a central bank, under full Governmental control, owned by the public through subscription to its stock. Despite the support it gained, the suggestion came too late, and President Wilson let it be known that the Owen-Glass bill, in its structural features, would not be changed.

Banks Accept the Inevitable.

There was a change in banking sentiment, too, after the Boston convention, and many bankers said privately that they would be content to accept the bill as having good features, far outweighing the bad ones, to which exception had been taken. Some of the banks that had fought the bill hardest, seeing that it was foreordained by the Administration, stopped talking of taking out State charters and said, though not publicly, that they were ready to join, if not to lead, the procession into the Federal reserve system.

The member banks would pay [illegible] sixth in cash, one-sixth in three m[illegible] and one-sixth in six months. This [illegible] give a paid-up capital of $53,[illegible] which would be added about $[illegible] of Government funds, deposited [illegible] the Federal reserve banks, mak[illegible] total of $253,470,462 cash, of which [illegible] thirds could be used for discou[illegible] The relative proportion of subscr[illegible] to the Federal reserve banks to b[illegible] scribed by the national banks, [illegible] enter the system, will be 55 per [illegible] for the country banks, 26 per ce[illegible] the reserve city banks, and 19 pe[illegible] for the central reserve city bank[illegible]

The capital and surplus of ban[illegible] tering the system, and the relati[illegible] gregate of the capital and surp[illegible] prospective member banks in [illegible] centres throughout the country, [illegible] carefully considered by the [illegible] bank organization committee. T[illegible] currency law makes it mandator[illegible] this organization committee to ap[illegible] the districts with due regard to t[illegible] venience and customary course o[illegible] ness, but these districts are not [illegible] sarily to be co-terminous with an[illegible] or States.

The only cities in which the [illegible] and surplus of national banks [illegible] excess of $25,000,000, with the a[illegible] mate capital and surplus of such [illegible] located in them, are as follows:

Boston, over $45,000,000; New [illegible] City, over $240,000,000; Philadelph[illegible] $65,000,000; Pittsburgh, over $5[illegible] Chicago, over $80,000,000; St. Lou[illegible] $32,000,000, and San Francisco, ov[illegible] 000,000.

If these seven cities were cho[illegible] number selected would be one le[illegible] the minimum and five less th[illegible] maximum allowable under the n[illegible]

The next largest national bank[illegible] tres, according to the aggregate [illegible] and surplus in their national ba[illegible] year, were:

Baltimore, $20,000,000; Wash[illegible] $10,000,000, New Orleans, $8,000,[illegible] lsville, $8,000,000; Cincinnati, $20,[illegible] Cleveland, $13,000,000; Indianap[illegible] 000,000; Detroit, $6,000,000, Mil[illegible] $9,000,000; Minneapolis and St[illegible] $10,000,000; Kansas City, $11[illegible] Omaha [illegible] Denver, $7[illegible] Los Angeles, $8,000,000, Seattle, [illegible] 000, and Portland, $5,500,000.

In this second list there are [illegible] cities, which, with the seven [illegible] politan national bank centres [illegible] ated above, would give a [illegible] twenty-three national banking [illegible] There are fifteen more than the m[illegible] and eleven more than the m[illegible] number of Federal reserve cit[illegible] may be designated. Consequent[illegible] this list before them, the ne[illegible] the Organization Committee [illegible] to throw out not less than [illegible] not more than fifteen.

There is no doubt here that N[illegible] and Chicago will be designated [illegible] gional centres. Pittsburgh, Bos[illegible] St. Louis are also regarded a[illegible] tically certain to be chosen.

Other selections to be made [illegible] naturally influenced by the fa[illegible] whether the Organization Comm[illegible] going to establish eight reserv[illegible] or twelve in the beginning. I[illegible] lieved here that the number of [illegible] cities between eight and twelve [illegible] pend somewhat upon the applic[illegible] banks throughout the country

NATIONAL BANK RUSH TO JOIN NEW SYSTEM

Applications from 213 Received Up to 5 P. M., and Telegrams Still Pouring In.

18 OTHER CONCERNS APPLY

Most Banks Here Await Action of Their Stockholders—Work Begun on Plans for Organization.

Special to The New York Times.

WASHINGTON, Dec. 24.—Secretary McAdoo and other officials of the Administration are gratified at the response from the country to the enactment of the new Federal Reserve Banking law. Messages of congratulation from banking institutions in all parts of the country poured into Secretary McAdoo's office to-day, and there was a steady stream of telegrams from presidents of banks making application to become members of the new system.

Up to 5 o'clock this afternoon, at which hour telegraphic applications were still being received, 231 institutions—national banks, State banks, savings banks and trust companies—from thirty-seven different States had applied for membership, and for the privilege of subscribing to the stock. These banks extended from Maine to California and from Minnesota to Texas.

The 213 national banks that applied for membership had a combined capital and surplus of $181,580,420. Here is the summary of the list:

National Banks Applying.

	National Banks.	Capital and Surplus.
Alabama	4	$3,082,500
Arkansas	1	342,500
California	9	5,063,500
Colorado	6	7,772,000
Delaware	1	175,000
District of Columbia	1	300,000
Georgia	9	9,675,000
Illinois	10	31,064,000
Indiana	4	1,010,000
Iowa	8	1,305,000
Kansas	7	1,615,500
Kentucky	5	780,200
Louisiana	3	4,725,000
Maine	2	750,000
Maryland	14	12,803,720
Massachusetts	3	17,450,000
Michigan	3	1,450,000
Minnesota	1	40,000
Mississippi	1	210,000
Missouri	11	19,025,000
Nebraska	3	472,000
New Hampshire	1	250,000
New York	5	2,460,000
New Jersey	[illegible]	1,225,000
New Mexico	1	225,000
North Carolina	4	1,730,000
North Dakota	2	180,000
Ohio	22	35,818,000
Oklahoma	5	320,000
Oregon	3	132,000
Pennsylvania	8	5,353,000
South Carolina	2	725,000
Texas	7	6,407,500
Tennessee	6	2,117,000
Utah	7	2,685,000
Washington	5	3,961,000
Wisconsin	2	730,000

Eleven trust companies, of which three are in Texas, one in Tennessee, one in Virginia, one in Maryland, two in Missouri, one in New York, one in Illinois, and one in the District of Columbia, applied. Five State banks applied of which one each is in California, South Carolina, Texas, Missouri, and Wisconsin. Two savings banks made application, and both are situated in California.

The New York Applications.

Three applications have been received from national banks in the State of New York outside of New York City. Two national banks of New York City have applied—the Harriman, with a capital and surplus of $1,600,000, and the Gotham, with a capital and surplus of $300,000. The Hudson Trust Company of New York City also telegraphed its application. The up-State banks that have applied are the First National of Syracuse, with a capital and surplus of $750,-

SANTA DIES ON XMAS TRIP.

Struggle Through Snow to Poor Boys' Home Fatal to Mr. Heap.

DENVER, Dec. 24.—Little crippled Wilbur Harris, 8 years old, is to have a merry Christmas, but his Santa Claus is dead. It was W. H. Heap, a philanthropist, who came to Denver from Paterson, N. J., because stricken with tuberculosis, who made possible the salvation of the Christmas myth for Wilbur. Mr. Heap's death came yesterday because he ignored his doctor's order to remain in bed and walked several blocks through deep snow in the impoverished section of the city. He carried a sled, a train of toy cars, clothes, rubbers, candy, and many other presents for the destitute Harris family.

Mr. Heap learned that Mrs. Harris, in desperation, had told her little boy that there was no Santa Claus for poor children. He rose from his bed and in his automobile drove to the shopping district, where he himself made the selection of gifts for the family. The automobile could not penetrate the deep drifts of snow in the lower part of town, so Mr. Heap, staggering under his burden, walked to the Harris door, two blocks away. Leaving the gifts with the mother, he said:

"The sled will do the boy lots of good. I think if he can get out into the open, with plenty of warm clothes, he may be cured partially of his ailment. God's open air is the best thing we have, anyway."

A violent coughing spell seized the philanthropist, who was half carried to his motor car by Mrs. Harris. He was hurried home and specialists were summoned, but it was too late. He was dead.

Special to The New York Times.

PATERSON, N. J., Dec. 24.—W. H. Heap, Jr., whose death is reported from Denver, was 26 years old, and was a son of William H. Heap, a wealthy holder of real estate in Paterson, living at 658 East Twenty-eighth Street. He suffered from tuberculosis, and about three years ago went to Denver in the hope of regaining his health. His father left to join him on learning that he was failing rapidly, but arrived too late. The young man's wife survives him. Mr. Heap, Jr., was well known for his many acts of kindness and charity while living in Paterson.

McADOO ACTING PRESIDENT.

How Other Cabinet Officers Are Spending the Holidays.

WASHINGTON, Dec. 24.—Secretary McAdoo will be Acting President of the United States to-morrow. In the absence of President Wilson and Vice President Marshall he becomes the ranking official left in Washington for Christmas Day.

Speaker Clark, after having Christmas dinner with his family, will leave for a lecture tour in New England, which will continue until Congress reassembles on Jan. 12. Secretary Bryan is at his Winter home at Miami, Fla.; Secretary Garrison will spend Christmas Day with his brother at Merchantville, N. J., and later will spend a few days with Mrs. Garrison at Atlantic City. Secretary Daniels will dine in Washington, but will later spend a few days in Raleigh, N. C.

All other Cabinet officers will dine at their homes here with the exception of Attorney General McReynolds, who will spend Christmas Day with his mother at Elkton, Ky.

TREE CRASHES ON AUTO.

Dr. and Mrs. Beattie Have Narrow Escape When Locust Falls.

Dr. J. H. Beattie and his wife were riding in the front seat of their auto-

SCORES OF TRUST... ARE SEEKING PE...

Belief That American Sug... Others Will Compromise ... Department of Justic...

GOVERNMENT IS HOP...

Wilson's Speech an Intimatio... He Is Willing to Meet ... Business Half Way.

Special to The New York Ti...

WASHINGTON, Dec. 24.—It i... pectation in official circles th... Attorney General McReynolds r... Washington next week he wil... visits from officers and attorne... industrial combinations whose... has indicated that they are not ... to discuss with Mr. McReynold... posals he has in mind for a... ization of their business affair... abandonment of contemplated ... ment prosecution of these org... as combinations in restraint ... and commerce.

In connection with the arr... for the voluntary dissolutio... telephone-telegraph merger, i... come known that ever sinc... sumed office the Attorney Ge... been conferring with represen... so-called trusts in regard ... tions from him that they ... prosecution through conformi... ideas as to reorganization or d... These exchanges formed the ... statements made by Preside... to White House visitors last ... the effect that there was an ... through inquiries made at th... ment of Justice that many ... corporations were anxious t... to the wishes and views of th... ment.

Tentative overtures to the D... of Justice from representativ... American Sugar Refining Com... given ground for hope on the ... ficials that this great combi... soon follow in the footsteps of... ican Telephone and Telegraph... in offering to enter an arrang... the Attorney General which ... about a reorganization or a... ment of its affairs that will... objection of Mr. McReynolds ... ent administration and metho... however, these overtures ... reached the stage of a direct ... of willingness on the part of ... company to conform to th... General's views. But the pro... garded as encouraging, and ... tangible may result when M... nolds returns to Washington.

Within the past few days ... been rumors that corporatio... have been sued by the Gover... der the Sherman law, or wh... are being investigated as a ... to probable prosecution, ar... over each other, figuratively... in the effort to obtain imm... ficers of the Department of J... that this is the case. They... inquiries have been made, ... that combinations are anxiou... tain how they may conduct ... ness without danger of Fed... cution, but in no case, it wa... night, had any corporation ... willingness to reorganize a... laid down by the Attorney ... even admit that their affa... readjustment. The New H... road is a possible excepti... condition, as the negotiations ... between its representatives a... torney General have all be... view to the reorganization of... portation system.

At the same time, the situati...

Dec. 25, 1913.

Wisconsin ....

Eleven trust companies, of which three are in Texas, one in Tennessee, one in Virginia, one in Maryland, two in Missouri, one in New York, one in Illinois, and one in the District of Columbia, applied. Five State banks applied, of which one each is in California, South Carolina, Texas, Missouri, and Wisconsin. Two savings banks made application, and both are situated in California.

The New York Applications.

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All the national banks of Denver, with the exception of the First National, have telegraphed applications.

Telegrams were received from all six of the national banks in Atlanta, Ga., seeking membership. The banking and commercial interests of Atlanta are understood to be anxious to have that city designated as one of the regional reserve bank cities.

The largest bank thus far applying is the Continental and Commercial National of Chicago, of which George M. Reynolds is President. Its capital and surplus total $29,500,000. The only other Chicago bank forwarding an application is the National Bank of the Republic, with $3,000,000 capital and surplus.

One national bank of New Orleans has applied—the Whitney Central, the largest bank in Louisiana, with a capital and surplus of $4,000,000.

Baltimore's Generous Response.

Eleven national banks of Baltimore have telegraphed applications, with a combined capital and surplus of $12,-555,720. Five Baltimore national banks are yet to be heard from. The Munsey Trust Company of Baltimore also applied.

The second largest national bank seeking to be admitted is the Shawmut of Boston, of which William A. Gaston is President. Its capital and surplus aggregate $15,000,000.

The Grand Rapids National City Bank of Grand Rapids, Mich., telegraphed congratulations to Secretary McAdoo and asked to be admitted to membership. It is the largest national bank in that part of Michigan, with a capital and surplus of $1,200,000.

All the Clearing House banks of Kansas City, Mo., and Kansas City, Kan., applied. Four of the eight national banks of St. Louis did likewise. One of these is the Bank of Commerce, the largest national bank in St. Louis, with a capital and surplus of $12,000,000. The Mercantile National Bank, of which Festus J. Wade is President, also applied. Its capital and surplus total $2,-600,000. The Third National, with $4,-600,000 capital and surplus, and the National Bank of Wellston of St. Louis, with $75,000 capitalization, as well as the M[illegible]cantile Trust Company and the St. Lo[illegible] Union Trust and Savings Company [illegible] of St. Louis, applied.

The [illegible]st National Bank of Trenton, the la[illegible]t in that city, with a capital and s[illegible]us of $800,000, asked to be included.

[illegible] Showing from Ohio.

All t[illegible] national banks of Cincinnati, which [illegible]nderstood to be a candidate for e[illegible]n as a Federal reserve city, sought [illegible]nbership. Their capital and surplu[illegible]regate $20,200,000. All of the

[illegible]tinued on Page 2.

which will continue until Congress reassembles on Jan. 12. Secretary Bryan is at his Winter home at Miami, Fla.; Secretary Garrison will spend Christmas Day with his brother at Merchantville, N. J., and later will spend a few days with Mrs. Garrison at Atlantic City. Secretary Daniels will dine in Washington, but will later spend a few days in Raleigh, N. C.

All other Cabinet officers will dine at their homes here with the exception of Attorney General McReynolds, who will spend Christmas Day with his mother at Elkton, Ky.

TREE CRASHES ON AUTO.

Dr. and Mrs. Beattie Have Narrow Escape When Locust Falls.

Dr. J. H. Beattie and his wife were riding in the front seat of their automobile from Hastings to Dobbs Ferry at 5 o'clock yesterday afternoon, when a locust tree sixty feet tall, which stood in a row of locusts several feet above the roadway, suddenly toppled and fell with a crash across the highway. The trunk struck the rear set of the automobile, crumpling it flat against the road and stopping the machine in its tracks.

The abrupt halt threw Dr. and Mrs. Beattie back against the rear of their seats and they were clubbed and scratched by some of the large branches, but neither was seriously hurt.

The embankment in which the locust was rooted had been undermined by the rain of Tuesday night and the tree had stood tottering through the day. Engineers were sent out late in the afternoon to make sure of the security of other locusts in the same row.

ASKS PRAYER FOR A REUNION

End of Family Differences, a Christmas Text.

An old man, upon whose face the years had left their traces, and whose manner showed the refinement of an upbringing in an old-fashioned American home, walked with rather hesitant step into THE TIMES office yesterday. With some embarrassment, he handed in a letter, explaining that he was one of the two persons referred to in it, and that he wanted to enlist the help of all the silent prayers on Christmas day to effect a reunion which, somehow, had defied his bungling human efforts throughout the many years.

The letter, written in fine but slightly tremulous handwriting, was headed "A Merry and Happy Christmas," and said:

To the Editor of The New York Times:

Upon this, the most universally celebrated of all the days of the year—the birthday of Christ, born into this world that through His life and intercession all men should be saved—Christ is love. There are in this city two, the last of a large family of children, native citizens; one 76 years old, the other in the last decade of the eighties. They have been estranged for many years, although repeated efforts have been made by one that a reunion as of childhood days should take place. These efforts have been made in writing and by repeated calls—the last on Sunday, the 21st inst. All have failed.

Is it asking too much that churchgoers upon this Christmas in their silent prayers shall pray that family differences of all shall be forgotten? S. T. L.

The old man left the letter, thanked THE TIMES for publishing it, and walked with lighter step out of the office.

Greater Sail Area for Defender.

BRISTOL, R. I., Dec. 24.—The Vanderbilt yacht now building here as a candidate for the defense of America's Cup is to have a greater sail area than was at first proposed, it was learned to-night. That is said to be the reason for the change in plans already announced, by which additional ballast is to be carried on the keel, instead of inside the yacht. The extent of the proposed sail increase is not announced.

been rumors that corporations, wh[illegible] have been sued by the Government [illegible]der the Sherman law, or whose aff[illegible] are being investigated as a prelimin[illegible] to probable prosecution, are tumb[illegible] over each other, figuratively speak[illegible] in the effort to obtain immunity. [illegible]ficers of the Department of Justice d[illegible] that this is the case. They admit [illegible] inquiries have been made, indica[illegible] that combinations are anxious to as[illegible]tain how they may conduct their b[illegible]ness without danger of Federal pr[illegible]cution, but in no case, it was state[illegible] night, had any corporation show[illegible] willingness to reorganize along [illegible] laid down by the Attorney General [illegible] even admit that their affairs re[illegible] readjustment. The New Haven [illegible]road is a possible exception to [illegible] condition, as the negotiations condu[illegible] between its representatives and the [illegible]torney General have all been wi[illegible] view to the reorganization of that t[illegible]portation system.

At the same time, the situation fro[illegible] Administration view-point is very [illegible]couraging. President Wilson inte[illegible] his remarks last night to those who [illegible]nessed his approval of the new cur[illegible] law to be interpreted as an expressi[illegible] willingness on the part of the Adm[illegible]tration to m[illegible]t big business inte[illegible] half way in any desire on their pa[illegible] arrange their affairs and metho[illegible] operation so as to conform to the [illegible] of the Department of Justice. Tha[illegible] invitation will be accepted some off[illegible] do not doubt, but just at this time [illegible] do not feel justified in saying tha[illegible] inquiries received from corpora[illegible] should be taken as direct offers to [illegible] the Government's virtual demands[illegible]

Shoe Machinery Officials Sil[illegible]

BOSTON, Dec. 24.—When aske[illegible] day concerning a report that the [illegible]ernment and the United Shoe Mach[illegible] Company were negotiating for a s[illegible]ment of the dissolution suit again[illegible] United, Sidney W. Winslow, Pre[illegible] of the company, said he had hear[illegible] negotiations were under way, b[illegible]ferred inquiries to his counsel. C[illegible] F. Choate, attorney for the com[illegible] said that he preferred not to discu[illegible] matter.

WARRANTS OUT FOR CO[illegible]

Countess Santa Eulalia Ch[illegible] Him with Criminal Libel

Special to The New York T[illegible]

PHILADELPHIA, Dec. 24.—G. [illegible] Stetson and his mother, the Co[illegible] Santa Eulalia, (formerly Mrs. Jo[illegible] Stetson,) have obtained warrants [illegible] arrest of M. Blair Coan on the cha[illegible] criminal libel. This action is base[illegible] interviews alleged to be false and [illegible]cious, given by Coan to the Philad[illegible] newspapers and printed this mor[illegible]

Indignant at the assertions of [illegible] who is an investigator and former [illegible]paper man of this city, that h[illegible] been employed by Mr. Stetson to [illegible] a revolution in Portugal, so th[illegible] might become Queen of that c[illegible] the Countess entered an emphatic [illegible] to the charges to-day.

"I am astonished that any one [illegible] sufficient interest in this case to [illegible]tion me about it," said the Co[illegible] "It is the most ridiculous thing [illegible] heard of. I should laugh at it [illegible] if it were not that the Count is [illegible] to have plotted against his own c[illegible] The Count laughed and dismiss[illegible] charges when we spoke about th[illegible] night. Every one who knows hi[illegible]izes that he is not the kind of [illegible] plot for a revolution or for a[illegible] unpleasant. The Count is for pea[illegible] good order, not for a revolution [illegible] organized government.

"Personally, I am much grie[illegible] know so much publicity has bee[illegible] to the statements of that man. [illegible] nothing whatever about my son'[illegible]tions with him, if, indeed, he h[illegible] business with him, but I do not [illegible] he would ever suggest such a t[illegible] that man spoke of.

"The Count is interested in P[illegible] solely to promote its welfare a[illegible] happiness of its people."

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